

NEW ISSUE

Ratings: Moody's Investors Service: Aaa
Standard & Poor's Corp.: AAA
(See "RATINGS" herein)

In the opinion of King Hershey, PC and The Stolar Partnership, LLP, Co-Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Internal Revenue Code of 1986, as amended. Interest on the Bonds is exempt from income taxation by the State of Missouri. Co-Bond Counsel express no opinion regarding other federal, state or local tax consequences arising with respect to the acquisition or ownership of the Bonds. Potential purchasers are encouraged to consult independent tax advisors with respect to an investment in the Bonds. See the section captioned "TAX EXEMPTION" and the form of Opinion of Co-Bond Counsel attached hereto as Appendix C.

\$37,555,000

The City of St. Louis, Missouri

Public Safety General Obligation Refunding Bonds, Series 2005

Dated: Date of Delivery

Due: as shown on Inside Cover

The Public Safety General Obligation Refunding Bonds, Series 2005 (the "**Bonds**") of The City of St. Louis, Missouri (the "**City**"), are issuable as fully registered bonds, without coupons, and when issued will be registered in the name of Cede & Co., as registered owner and nominee for the Depository Trust Company ("**DTC**"), New York, New York. DTC will act as securities depository for the Bonds. Purchase of the Bonds will be made in book-entry form in denominations such that the amount payable on the stated maturity date thereof will be \$5,000 or any integral multiple thereof. Purchasers of the Bonds (the "**Beneficial Owners**") will not receive certificates representing their interests in the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. See "**DESCRIPTION OF THE BONDS – Book Entry Only System**" herein.

Principal on the Bonds will be payable as set forth on the Inside Cover hereof. Interest on the Bonds will be payable semiannually on each February 15 and August 15, beginning on August 15, 2005. So long as DTC or its nominee Cede & Co., is the bondowner, such payments will be made by UMB Bank, N.A., St. Louis, Missouri (the "**Paying Agent**") directly to such bondowner. Distribution of such payments to the DTC Participants (as defined herein) is the responsibility of DTC. Distribution of payments to Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein. See "**DESCRIPTION OF THE BONDS – Book Entry Only System**" herein.

The City reserves the right, at its option, to redeem the Bonds prior to maturity as described herein under the Section captioned "**DESCRIPTION OF THE BONDS – Redemption of Bonds.**"

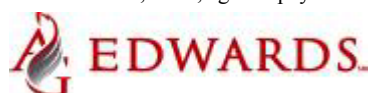
THE BONDS AND THE INTEREST THEREON WILL CONSTITUTE GENERAL OBLIGATIONS OF THE CITY, AND THE FULL FAITH, CREDIT AND RESOURCES OF THE CITY HAVE BEEN IRREVOCABLY PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BONDS. THE CITY SHALL LEVY AN AD VALOREM TAX ON ALL TAXABLE, TANGIBLE PROPERTY IN THE CITY, WITHOUT LIMIT AS TO RATE OR AMOUNT, FOR THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BONDS. PROCEEDS OF THE BONDS WILL BE USED FOR THE PURPOSES OF (I) EFFECTING THE REFUNDING OF A PORTION OF THE CITY OF ST. LOUIS, MISSOURI PUBLIC SAFETY GENERAL OBLIGATION BONDS, SERIES 1999 (THE "SERIES 1999 BONDS") AND (II) PAYING THE COSTS OF ISSUANCE OF THE SERIES 2005 BONDS.

Payment of the principal of and interest on the Bonds, excluding redemption premium, if any, when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds. See "**BOND INSURANCE**" herein.



This cover page contains information for reference only. It is not a complete summary of the Bonds. Investors must read the entire Official Statement, including the cover page and Appendices hereto, to obtain information essential to making an informed investment decision.

The Bonds are offered when, as and if issued by the City and accepted by the Underwriters (defined herein), subject to the prior sale, withdrawal or modification of the offer without notice and subject to the approval of legality of the Bonds by King Hershey, PC, Kansas City, Missouri and The Stolar Partnership, LLP, St. Louis, Missouri, Co-Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the City by the Office of the City Counselor and for the Underwriters by their Co-Counsel, Bryan Cave LLP, St. Louis, Missouri, and Gallop, Johnson & Neuman, L.C., St. Louis, Missouri. It is expected that the Bonds in definitive form will be available for delivery on or about June 16, 2005, against payment therefor.



Siebert Brandford Shank & Co., LLC

Loop Capital Markets, LLC
First Albany Capital Inc.

Edward Jones
Merrill Lynch

The date of this Official Statement is June 2, 2005.

\$37,555,000
The City of St. Louis, Missouri
Public Safety General Obligation Refunding Bonds, Series 2005
Base CUSIP¹ 791621

<u>February 15</u>	<u>Bonds' Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u>
2010	\$ 3,085,000	3.250%	3.06	100.817	RW7
2011	3,195,000	3.125	3.17	99.765	RX5
2012	1,295,000	3.500	3.29	101.244	RY3
2012	2,000,000	5.000	3.29	110.153	RZ0
2013	125,000	3.500	3.40	100.666	SA4
2013	3,325,000	5.000	3.40	110.710	SB2
2014	1,330,000	3.400	3.51	99.181	SC0
2014	2,290,000	5.000	3.51	111.043	SD8
2015	500,000	3.750	3.60	101.211	SE6
2015	3,285,000	5.000	3.60	111.336	SF3
2016	85,000	3.700	3.74	99.647	SG1
2016	3,890,000	5.000	3.66	110.819	SH9
2017	645,000	3.800	3.85	99.529	SJ5
2017	3,535,000	5.000	3.71	110.391	SK2
2018	1,380,000	3.875	3.93	99.451	SL0
2018	3,000,000	5.000	3.77	109.879	SM8
2019	1,090,000	4.000	4.00	100.000	SN6
2019	3,500,000	5.000	3.83	109.371	SP1

¹ The CUSIP numbers shown above have been assigned by an organization not affiliated with the City. The City is not responsible for the selection of CUSIP numbers and makes no representation as to the accuracy of such numbers on the Bonds or as indicated herein.

NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE CITY, THE CREDIT FACILITY PROVIDER, THE FINANCIAL ADVISORS, CO-BOND COUNSEL, OR THE UNDERWRITERS TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS WITH RESPECT TO THE BONDS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE.

WHILE THE INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM THE CITY AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, THE INFORMATION CONTAINED HEREIN IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS, AND IS NOT TO BE CONSTRUED TO BE A REPRESENTATION BY THE FINANCIAL ADVISORS, CO-BOND COUNSEL, OR THE UNDERWRITERS. THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY, THE CREDIT FACILITY PROVIDER, THE FINANCIAL ADVISORS, CO-BOND COUNSEL, OR THE UNDERWRITERS SINCE THE DATE HEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR UNDER VARIOUS STATE SECURITIES ACTS. NEITHER THE SEC NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

\$37,555,000
THE CITY OF ST. LOUIS, MISSOURI
PUBLIC SAFETY GENERAL OBLIGATION REFUNDING BONDS, SERIES 2005

THE CITY OF ST. LOUIS, MISSOURI

Elected Officials

Francis G. Slay, Mayor
Darlene Green, Comptroller
James F. Shrewsbury, President, Board of Aldermen
Larry C. Williams, City Treasurer

Board of Aldermen

Charles Quincy Troupe – Ward 1	Matt Villa – Ward 11	Craig Schmid – Ward 20
Dionne Flowers – Ward 2	Fred Heitert – Ward 12	Bennice Jones King – Ward 21
Freeman M. Bosley, Sr. – Ward 3	Alfred J. Wessels, Jr. – Ward 13	Jeffrey Boyd – Ward 22
Vacant – Ward 4	Stephen Gregali – Ward 14	Kathleen Hanrahan – Ward 23
April Ford-Griffin – Ward 5	Jennifer Florida – Ward 15	Tom Bauer – Ward 24
Lewis E. Reed – Ward 6	Donna Baringer – Ward 16	Dorothy Kirner – Ward 25
Phyllis Young – Ward 7	Joseph D. Roddy – Ward 17	Frank Williamson – Ward 26
Stephen J. Conway – Ward 8	Terry Kennedy – Ward 18	Gregory J. Carter – Ward 27
Kenneth Ortmann – Ward 9	Michael McMillan – Ward 19	Lyda Krewson – Ward 28
Joseph Vollmer – Ward 10		

Other City Officials

Ivy Neyland-Pinkston, Deputy Comptroller
Elaine Harris Spearman, Legal Advisor to the Comptroller
Candice Gordon, Accounting Executive
Patricia A. Hageman, City Counselor
Thomas J. Ray, Deputy City Counselor

CO-BOND COUNSEL

King Hershey, PC
Kansas City, Missouri
The Stolar Partnership, LLP
St. Louis, Missouri

FINANCIAL ADVISOR

P.G. Corbin & Company, Inc.
Philadelphia, Pennsylvania

TRUSTEE

UMB Bank, N.A.
St. Louis, Missouri

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**OFFICIAL STATEMENT
OF THE CITY OF ST. LOUIS, MISSOURI**

relating to

**\$37,555,000
PUBLIC SAFETY GENERAL OBLIGATION REFUNDING BONDS
SERIES 2005**

This introduction is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to more complete and detailed information contained in the entire Official Statement.

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, the inside cover page, and the Appendices hereto, is furnished in connection with the offer and sale by the City of St. Louis, Missouri (the “**City**”) of its Public Safety General Obligation Refunding Bonds, Series 2005 (the “**Bonds**”), dated as of their dated date, in the aggregate principal amount of \$37,555,000.

The Bonds are being issued for the purposes of (i) effecting the refunding of a portion of the City of St. Louis, Missouri Public Safety General Obligation Bonds, Series 1999 (the “**Series 1999 Bonds**”) and (ii) paying the costs of issuance of the Bonds. See “**PLAN OF FINANCING – The Refunding Plan**” and “**Estimated Sources and Uses of Funds**” herein. The Series 1999 Bonds were issued for the purposes of (i) acquiring certain real property, constructing, reconstructing, repairing, furnishing, rehabilitating, renovating and equipping buildings and appurtenances thereto or the Fire Department, and acquiring, purchasing, installing, constructing, replacing and modifying equipment for the communication system to be used by the City, and purchasing certain equipment, including, but not limited to, fire trucks, ambulances and firefighter personal protective equipment; (ii) constructing, reconstructing, repairing, furnishing, rehabilitating, renovating and equipping buildings and appurtenances thereto for the Police Department, and the purchase of new equipment for the Laboratory Division of the Police Department; (iii) demolishing and abating various abandoned or condemned buildings under the control of the City, and (iv) paying the costs of issuance of the Series 1999 Bonds.

THE BONDS AND THE INTEREST THEREON WILL CONSTITUTE GENERAL OBLIGATIONS OF THE CITY, AND THE FULL FAITH, CREDIT AND RESOURCES OF THE CITY HAVE BEEN IRREVOCABLY PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BONDS. THE CITY SHALL LEVY AN AD VALOREM TAX ON ALL TAXABLE, TANGIBLE PROPERTY IN THE CITY, WITHOUT LIMIT AS TO RATE OR AMOUNT, FOR THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BONDS.

The payment of the principal of and interest on the Bonds, excluding redemption premium, if any, is insured pursuant to a financial guaranty insurance policy of Ambac Assurance Corporation (the “**Credit Facility Provider**”) issued concurrently with the issuance of the Bonds.

There follows in this Official Statement brief descriptions of the refunding plan, the City, the Credit Facility Provider, the estimated sources and uses of funds, the Bonds, the bond insurance, and certain investment considerations and risk factors. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Bond Ordinance (as defined herein) or other documents are qualified in their entirety by reference to such documents. All references herein to the Bonds are

qualified in their entirety by the definitive form thereof and the information with respect thereto included in the Bond Ordinance.

DESCRIPTION OF THE BONDS

Authorization of the Bonds

The issuance of the Series 1999 Bonds was approved at a special bond election held at the time of the State of Missouri (the “**State**”) general election on Tuesday, November 3, 1998, at which more than two-thirds of the qualified voters of the City voting on such propositions voted in favor of the issuance of the Bonds. The Series 1999 Bonds were issued pursuant to the Charter of the City, the Constitution of the State, and Ordinance No. 64641, passed by the Board of Aldermen of the City on February 5, 1999, and approved by the Mayor of the City on February 24, 1999.

Pursuant to Section 3 of Article XVII of the City Charter, refunding bonds do not count against the \$65,000,000.00 of Series 1999 Bonds authorized November 3, 1998. The Board of Aldermen of the City has determined that it is in the best interest of the City to issue and deliver the Bonds pursuant to Board Bill No. 60, passed by the Board of Aldermen on May 20, 2005, which became Ordinance No. 66686 (the “**Bond Ordinance**”), when approved by the Mayor of the City on May 25, 2005.

General Description

The Bonds will consist of fully registered Bonds without coupons, in the denomination of \$5,000 or any integral multiple thereof, numbered from R-1 consecutively upward in order of issuance, due in the amounts and in each of the years set forth on the inside cover page hereof. Interest on the Bonds shall be payable semiannually on February 15 and August 15 in each year (each an “**Interest Payment Date**”), commencing on August 15, 2005. Interest shall be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds shall bear interest from their dated date or from the most recent Interest Payment Date to which interest has been paid or duly provided for.

UMB Bank, N.A., St. Louis, Missouri (the “**Paying Agent**”), has been designated as the City’s paying agent for the payment of principal of, redemption premium, if any, and interest on the Bonds and bond registrar (“**Bond Registrar**”) and transfer agent with respect to the registration, transfer and exchange of Bonds.

The principal of and redemption premium, if any, on the Bonds shall be payable to the registered owners thereof in lawful money of the United States of America upon presentation and surrender of such Bonds as they respectively become due at the payment office of the Paying Agent and Bond Registrar. Interest on the Bonds shall be payable to the registered owners thereof by check or draft mailed by the Paying Agent and Bond Registrar to the persons in whose names the Bonds are registered on the close of business on the first day (whether or not a Business Day) of the month of the applicable Interest Payment Date (the “**Record Date**”) at their addresses as they appear on the bond registration books maintained by the Bond Registrar. “**Business Day**” means any day except Saturday, Sunday, a legal holiday, or a day on which banking institutions located in the State of Missouri are authorized by law to close. Notwithstanding the foregoing, payment of the interest on each Bond shall be made by electronic transfer of immediately available funds to any registered owner of \$1,000,000 or more in aggregate principal amount of Bonds at such electronic transfer address as such registered owner shall specify if such registered owner shall provide written notice to the Paying Agent and Bond Registrar not less than 15 days prior to the Record Date thereof requesting such electronic transfer and specifying such electronic transfer address. Such notice may, if so stated therein, apply to all subsequent payments to such registered owner while such registered owner owns at least \$1,000,000 in principal amount of the Bonds.

The Bonds will be issued in fully registered book-entry form and, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company (“DTC”), an automated depository for securities and a clearinghouse for securities transactions. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of, redemption premium, if any, and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants (as defined herein) for subsequent disbursements to the beneficial owners of the Bonds.

Registration, Transfer and Exchange of Bonds

The Bonds when issued shall be registered in the name of the owner thereof on the bond register to be kept in the payment office of the Bond Registrar for that purpose. Each Bond shall be made payable to the registered owner thereof. Bonds are transferable only upon the bond register by the registered owner thereof in person or by his or her attorney duly authorized in writing, upon surrender thereof at the payment office of the Bond Registrar together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his or her duly authorized attorney. Upon transfer of any Bond and the payment of any fee, tax or governmental charge, the Bond Registrar shall issue in the name of the transferee a Bond or Bonds in the same aggregate principal amount and maturity as the surrendered Bond or Bonds, registered in the name of the transferee, in any denomination herein authorized.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be delivered with the Bonds, but neither the failure to print such numbers on any Bonds, nor any error in printing of such numbers will constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Bonds.

Security for the Bonds

The Bonds and the interest thereon will constitute general obligations of the City, and the full faith, credit and resources of the City have been irrevocably pledged to the payment of the principal of, redemption premium, if any, and interest on the Bonds. The City shall levy an ad valorem tax on all taxable, tangible property in the City, without limit as to rate or amount, for the payment of the principal of, redemption premium, if any, and interest on the Bonds. The Bonds are also secured by a policy of financial guaranty insurance issued by the Credit Facility Provider, as more fully described herein under the heading “**SECURITY FOR THE BONDS - Bond Insurance.**”

Redemption of Bonds

Optional Redemption. At the option of the City, the Bonds maturing on February 15, 2016 and thereafter may be called for redemption and payment prior to their stated maturity on February 15, 2015, and thereafter, in whole at any time or in part on any Interest Payment Date in any order of maturity as selected by the City and in multiples of \$5,000 within a maturity, at 100% of the principal amount of the Bonds to be redeemed plus accrued interest to the date fixed for redemption.

Selection of Bonds to be Redeemed. Bonds shall be redeemed in the principal amount of \$5,000 or any integral amount thereof (each \$5,000 principal payment at maturity shall hereinafter be referred to as a “\$5,000 Unit”). When less than all of the Outstanding Bonds are to be redeemed and paid prior to maturity pursuant to the Bond Ordinance, such Bonds shall be redeemed in such order of maturity as directed by the City in its written request to redeem as provided in the Bond Ordinance. Bonds of less than a full maturity are to be selected by the Paying Agent in \$5,000 Units in such equitable manner as the Paying Agent may determine.

In the case of a partial redemption of Bonds when Bonds of denominations greater than \$5,000 are then Outstanding, for all purposes in connection with such redemption each \$5,000 Unit shall be treated as though it were a separate Bond of the denomination of \$5,000. If it is determined that one or more, but not all of the \$5,000 Units represented by any Bond is selected for redemption, then upon notice of intention to redeem such \$5,000 Unit or Units, the registered owner of such Bond or his duly authorized agent shall forthwith present and surrender such Bond to the Paying Agent (i) for payment of the redemption price (including the redemption premium, if any, and interest to the date fixed for redemption) of the \$5,000 Unit or Units called for redemption, and (ii) for exchange, without charge to the bondowner, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Bond. If the bondowner of a denomination greater than \$5,000 shall fail to present a Bond called for redemption such Bond shall, nevertheless, become due and payable on the redemption date to the extent of the \$5,000 Unit or Units called for redemption (and to that extent only).

Notice of Redemption. Notice of the City's intent to redeem Bonds under the optional redemption provisions of the Ordinance (including, when only a portion of the Bonds are to be redeemed, the maturities of such Bonds and the principal amounts thereof) shall be given by or on behalf of the City by registered or certified mail, postage prepaid, to the Paying Agent and Bond Registrar, such notice to be mailed not less than 45 days prior to the date fixed for redemption. Notice of the selection or call for redemption identifying the Bonds or portions thereof to be redeemed, shall be given by the Paying Agent and Bond Registrar on behalf of the City by mailing a copy of the redemption notice at least thirty days but not more than sixty days prior to the date fixed for redemption by first class mail, postage prepaid, to the Owner of each Bond to be redeemed in whole or in part at the address shown on the registration books; and a second notice of redemption shall be sent by certified mail, return receipt requested, at such address to the Owner of any Bond who has not submitted his Bond to the Paying Agent and Bond Registrar for payment on or before the date sixty days following the date fixed for redemption; provided, however, that neither any defect in giving such notice by mailing as aforesaid nor any defect in any notice so mailed shall affect the validity of any proceeding for the redemption of any Bond. Any notice mailed as provided in this section shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice.

Each notice of redemption shall state (i) the complete official caption, including the Bond series, of the Bonds; (ii) the date of mailing of the notice of redemption, (iii) the date fixed for redemption; (iv) the redemption price or prices; (v) the identification of the Bonds to be redeemed, by giving the individual certificate number of each Bond to be redeemed (or stating that all of the Bonds between two stated certificate numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption); (vi) the CUSIP numbers of all Bonds being redeemed (provided such notice may contain a disclaimer as to the accuracy of such numbers); (vii) in the case of a partial redemption of Bonds, the principal amount of each Bond being redeemed; (viii) the date of issue of the Bonds as originally issued; (ix) the rate or rates of interest borne by each Bond being redeemed; (x) the maturity date of each Bond being redeemed; (xi) the place or places where amounts due upon such redemption will be payable; (xii) the notice shall be void and of no effect in the event the Paying Agent and Bond Registrar does not have sufficient money to pay the redemption price of the Bonds on the redemption date; and (xiii) the address and telephone number of the contact person at the office of the Paying Agent with respect to such redemption. The notice shall require that such Bonds be surrendered at the payment office of the Paying Agent and Bond Registrar for redemption at the redemption price and shall state that further interest on such Bonds will not accrue from and after the redemption date provided that the Paying Agent and Bond Registrar has on deposit sufficient funds to redeem the Bonds on such date. Notice of such redemption shall also be sent by certified mail, return receipt requested, overnight delivery service or other secure means (including telecopier transmission), postage prepaid, to certain municipal registered securities depositories which are known to the Paying Agent and Bond Registrar to be holding Bonds and at least two of the national information services that disseminate securities redemption notices, when possible, at least two days prior to the mailing of notice required by the first

paragraph above, but in any event at least thirty days prior to the redemption date; provided that neither the failure to send such notice as aforesaid nor any defect in such notice shall affect the validity or sufficiency of the proceedings for the redemption of such Bonds.

The Bond Registrar is also directed to comply with any mandatory standards then in effect for processing redemptions of municipal securities established by the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the redemption of any Bond to be redeemed.

So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, notice of redemption shall be sent to such Securities Depository and shall not be sent to the Beneficial Owner of the Bonds. Any failure of such depository to advise any of its participants or failure of a participant to notify any Beneficial Owner of any notice of redemption shall not affect the validity of the redemption proceedings.

Effect of Call for Redemption. Whenever any Bond is called for redemption and payment as provided in the Bond Ordinance, all interest on such Bond shall cease from and after the redemption date, provided funds sufficient for its payment at the price specified in the Bond Ordinance are on deposit at the place of payment.

Book-Entry Only System

The information provided immediately below concerning DTC and the Book-Entry System, as it currently exists, has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Underwriters. The Underwriters and the City make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners will act in accordance with the procedures described herein or in a timely manner.

General. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry-only system (the “**Book-Entry-Only System**”) maintained by DTC. DTC will act as securities depository for the Bonds. Initially, the Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of the Bonds, and will be deposited with DTC. The following discussion will not apply to any Bonds issued in certificate form due to the discontinuance of the DTC Book-Entry-Only System, as described below.

DTC and its Participants. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (“**NSCC**,” “**FICC**,” and “**EMCC**,” also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of

Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “**Indirect Participants**” and collectively with the Direct Participants, the “**Participants**”). DTC has Standard & Poor’s highest rating: “AAA.” The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at <http://www.dtcc.com> and www.dtc.org.

Purchase of Ownership Interests. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “**Beneficial Owner**”) is, in turn, to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the Book-Entry Only System for the Bonds is discontinued.

So long as Cede & Co., as nominee of DTC, is the registered owner of any of the Bonds, the Beneficial Owners of such Bonds will not receive or have the right to receive physical delivery of the Bonds, and references herein to the bondowners or registered owners of such Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of such Bonds.

Transfers. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of the securities as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date identified in a listing attached to the Omnibus Proxy.

Payments of Principal and Interest. So long as any Bond is registered in the name of DTC’s nominee, payment of principal of, redemption premium, if any, and interest on such Bond will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail

information from the City or the Paying Agent or Bond Registrar, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the City, or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, redemption premium, if any, and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Participants.

Discontinuation of Book-Entry-Only System. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered as described in the Bond Ordinance.

The information in this section concerning DTC and the Book-Entry Only System has been obtained from sources that the City and the Underwriters believe to be reliable, but the City and the Underwriters take no responsibility for the accuracy thereof.

SECURITY FOR THE BONDS

General

The Bonds constitute general obligations of the City. The principal of, redemption premium, if any, and interest on the Bonds are payable from ad valorem taxes to be levied without limitation as to rate or amount upon all taxable, tangible property, real and personal property within the territorial limits of the City sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds as the same become due and payable. Said levy shall be in addition to and exclusive of all other taxes authorized to be levied by the City.

Bond Insurance

Payment of scheduled principal of and interest on the Bonds, excluding redemption premium, if any, will be guaranteed by a financial guaranty insurance policy to be issued by the Credit Facility Provider. The financial guaranty insurance policy will be issued concurrently with the issuance of the Bonds, will be noncancellable and will extend for the term of the Bonds. See "**BOND INSURANCE**" herein and "**APPENDIX D – FORM OF BOND INSURANCE POLICY**" hereto.

BOND INSURANCE

Payment of principal of and interest on the Bonds, excluding redemption premium, if any, is insured pursuant to a financial guaranty insurance policy of the Credit Facility Provider issued concurrently with the issuance of the Bonds.

Set forth below is a brief summary of certain information concerning the Credit Facility Provider and the terms of the financial guaranty insurance policy provided by the Credit Facility Provider. Information with respect to the Credit Facility Provider has been supplied to the City by the Credit Facility Provider. The following discussion does not purport to be complete and is qualified in its entirety by reference to the financial guaranty insurance policy.

The Credit Facility Provider

Payment Pursuant to Financial Guaranty Insurance Policy. The Credit Facility Provider has made a commitment to issue a financial guaranty insurance policy (the “**Financial Guaranty Insurance Policy**”) relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Financial Guaranty Insurance Policy, the Credit Facility Provider will pay to The Bank of New York, in New York, New York or any successor thereto (the “**Insurance Trustee**”) that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). The Credit Facility Provider will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Credit Facility Provider shall have received notice of Nonpayment from the Trustee/Paying Agent/Bond Registrar. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by the Credit Facility Provider.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, the Credit Facility Provider will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee/Paying Agent/Bond Registrar has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Credit Facility Provider to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of the Credit Facility Provider to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder’s right to payment to the Credit Facility Provider.

Upon payment of the insurance benefits, the Credit Facility Provider will become the owner of the Bonds, appurtenant coupon, if any, or right to payment of principal or interest on such Bonds and will be fully subrogated to the surrendering Holder’s rights to payment.

Ambac Assurance Corporation. The Credit Facility Provider is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$8,585,000,000 (unaudited) and statutory capital of approximately \$5,251,000,000 (unaudited) as of March 31, 2005. Statutory capital consists of the Credit Facility Provider's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to the Credit Facility Provider.

The Credit Facility Provider has obtained a ruling from the Internal Revenue Service to the effect that the insuring of a bond by the Credit Facility Provider will not affect the treatment for federal income tax purposes of interest on such bond and that insurance proceeds representing maturing interest paid by the Credit Facility Provider under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Bonds.

Available Information

The parent company of the Credit Facility Provider, Ambac Financial Group, Inc. (the "**Company**"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "**SEC**"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "**NYSE**"), 20 Broad Street, New York, New York 10005.

Copies of the Credit Facility Provider's financial statements prepared in accordance with statutory accounting standards are available from the Credit Facility Provider. The address of the Credit Facility Provider's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and filed on March 15, 2005;
2. The Company's Current Report on Form 8-K dated April 5, 2005 and filed on April 11, 2005;
3. The Company's Current Report on Form 8-K dated and filed on April 20, 2005;
4. The Company's Current Report on Form 8-K dated May 3, 2005 and filed on May 5, 2005; and

5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2005 and filed on May 10, 2005.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "**Available Information**".

PLAN OF FINANCING

The Refunding Plan

The Outstanding Series 1999 Bonds. On June 29, 1999, the City issued the Series 1999 Bonds in the aggregate principal amount of \$64,999,742.40 pursuant to Ordinance No. 64641, consisting of \$64,305,000 original principal amount of Current Interest Bonds and \$649,742.40 original principal amount of Capital Appreciation Bonds. The Series 1999 Bonds were issued for the purposes of (i) acquiring certain real property, constructing, reconstructing, repairing, furnishing, rehabilitating, renovating and equipping buildings and appurtenances thereto or the Fire Department, and acquiring, purchasing, installing, constructing, replacing and modifying equipment for the communication system to be used by the City, and purchasing certain equipment, including, but not limited to, fire trucks, ambulances and firefighter personal protective equipment; (ii) constructing, reconstructing, repairing, furnishing, rehabilitating, renovating and equipping buildings and appurtenances thereto for the Police Department, and the purchase of new equipment for the Laboratory Division of the Police Department; (iii) demolishing and abating various abandoned or condemned buildings under the control of the City, (collectively, the "**Series 1999 Project**") and (iv) paying the costs of issuance of the Series 1999 Bonds.

After the refunding of a portion of the Series 1999 Bonds, \$10,215,000 aggregate principal amount of the Series 1999 Current Interest Bonds (the "**Series 1999 Current Interest Bonds**") will remain outstanding and \$694,742.40 original aggregate principal amount of the Series 1999 Capital Appreciation Bonds (the "**Series 1999 Capital Appreciation Bonds**") remain outstanding.

The Series 1999 Project. The Series 1999 Project was implemented by the City as part of a program to retool and rebuild the facilities and equipment of the Fire and Police Departments, and to further overall public safety. Of the 30 fire stations in the City, 18 were built before 1932 with the remainder built between 1950 to 1970. All fire stations built prior to 1932 had previously undergone major renovations and, in most cases, only required minor renovations as part of the Series 1999 Project. The remaining fire stations had only undergone minor renovations and, in most cases, were in need of major renovations as part of the Series 1999 Project. Proceeds from the sale of the Series 1999 Bonds were used to accomplish major and minor renovations of certain fire stations and other Fire Department facilities, and to purchase certain equipment, including, but not limited to: Aerial/Pumper Combos, Aerial Platform Quints, Heavy Rescue Squads, Ambulances, staff vehicles, shop vehicles, and personal protective firefighter equipment. The Fire Department also replaced portable and mobile radios, base stations and upgraded the 911 System in order to update the existing communications system used by the Fire Department.

Series 1999 Bond proceeds were also used to construct improvements to and to rehabilitate the Headquarters Building and Laboratory Division of the Police Department of the City and to purchase certain laboratory equipment in order to modernize the Laboratory Division's technology.

In addition, a portion of the proceeds from the Series 1999 Bonds was used to demolish and raze approximately 2,000 single, multi-family and other large abandoned or condemned buildings under the control of the City.

Refinancing Plan. The Bonds are being issued to refund \$37,710,000 aggregate principal amount of the Series 1999 Current Interest Bonds, maturing on February 15, 2019 (for redemption on February 15, 2007) and that portion of the outstanding Series 1999 Current Interest Bonds which mature on or after February 15, 2010 (except the Current Interest Bonds maturing on February 15, 2019 (for redemption on August 15, 2009)) (collectively, the “**Refunded Bonds**”) as further described herein. A portion of the proceeds of the Bonds will be deposited with UMB Bank, N.A., as escrow agent (the “**Escrow Agent**”) pursuant to an Escrow Deposit Agreement dated as of June 1, 2005 (the “**Escrow Agreement**”), by and between the City and the Escrow Agent. Pursuant to the Escrow Agreement, the Escrow Agent will use such amounts to pay principal of and interest on the Refunded Bonds as the same become due and to purchase permitted investments (the “**Defeasance Securities**”) that mature at such times and in such amounts as will be sufficient to pay the principal of, the redemption premium and accrued interest on all of the Refunded Bonds being redeemed to the date set for redemption. The sufficiency of such amounts will be verified by AMTEC Corporation of West Hartford, Connecticut and Ross & Company, PLLC (a Certified Public Accountant), as the verification agent (“**Verification Agent**”). See “**VERIFICATION OF MATHEMATICAL AND ARITHMETICAL CALCULATIONS**” herein. The non-callable Series 1999 Current Interest Bonds and all of the Series 1999 Capital Appreciation Bonds will remain outstanding.

Sources And Uses Of Funds

The sources and uses of funds relating to the issuance of the Bonds and the refunding of the Refunded Bonds are as follows:

Sources of Funds:

Bond Proceeds:	
Par Amount	\$ 37,555,000.00
Original Issue Discount	(29,315.15)
Original Issue Premium	<u>2,645,177.50</u>
	40,170,862.35
Other Sources of Funds:	
Series 1999 Debt Service Fund	<u>642,636.04</u>
TOTAL SOURCES OF FUNDS	\$ <u>40,813,498.39</u>

Uses of Funds:

Deposit to Escrow Account ¹ :	
SLG	\$ 40,262,463.00
Delivery Date Expenses:	
Cost of Issuance ²	373,799.49
Credit Facility Provider Fees	<u>177,235.90</u>
	<u>551,035.39</u>
TOTAL USES OF FUNDS	\$ <u>40,813,498.39</u>

¹ \$40,262,463 shall be deposited with the Escrow Agent under the Escrow Agreement to be applied, together with earnings thereon, to the payment of principal of and interest in the Refunded Bonds as they become due and for the redemption of certain of the Refunded Bonds to be redeemed in advance of maturity on August 15, 2007 and August 15, 2009.

² Includes legal, financial advisory, underwriters’ discount, accounting, printing and other fees and expenses incurred in the issuance of the Bonds.

DEBT SERVICE REQUIREMENTS

The debt service requirements on the Bonds and the unrefunded Series 1999 Bonds are as follows:

Fiscal Year Ended June 30	Series 1999 Bonds		Series 2005 Bonds		Total Debt Service
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2006	\$ 3,245,000.00	\$ 488,222.50	\$ -	\$ 1,115,171.52	\$ 4,848,394.02
2007	3,400,000.00	340,575.00	-	1,679,756.26	5,420,331.26
2008	3,570,000.00	175,825.00	-	1,679,756.26	5,425,581.26
2009	3,655,000.00*	-	-	1,679,756.26	5,334,756.26
2010	-	-	3,085,000	1,679,756.26	4,764,756.26
2011	-	-	3,195,000	1,579,493.76	4,774,493.76
2012	-	-	3,295,000	1,479,650.00	4,774,650.00
2013	-	-	3,450,000	1,334,325.00	4,784,325.00
2014	-	-	3,620,000	1,163,700.00	4,783,700.00
2015	-	-	3,785,000	1,003,980.00	4,788,980.00
2016	-	-	3,975,000	820,980.00	4,795,980.00
2017	-	-	4,180,000	623,335.00	4,803,335.00
2018	-	-	4,380,000	422,075.00	4,802,075.00
2019	-	-	4,590,000	218,600.00	4,808,600.00
TOTAL	\$ 13,870,000.00	\$ 1,004,622.50	\$ 37,555,000	\$ 16,480,335.32	\$ 68,909,957.82

* Reflects the value at maturity of the Series 1999 Capital Appreciation Bond maturing February 15, 2009.

ORGANIZATION AND GOVERNMENT OF THE CITY

General

The City is located on the Mississippi River, the eastern boundary of the State of Missouri, just below its confluence with the Missouri River. The City occupies approximately 61.4 square miles of land, and its area has remained constant since 1876. The City, a constitutional charter city not a part of any county, is organized and exists under and pursuant to its Charter and the Constitution and the laws of the State of Missouri.

The City is popularly known as the “Gateway to the West,” due to its central location and historical role in the nation’s westward expansion. Commemorating this role is the 630-foot stainless steel Gateway Arch, the world’s tallest man-made monument, which is the focal point of the 86-acre Jefferson National Expansion Memorial on the downtown riverfront.

Government

The City’s system of government is provided for in its Charter, which first became effective in 1914 and has subsequently been amended from time to time by the City’s voters.

The Mayor, elected at large for a four-year term, is the chief executive officer of the City. The Mayor appoints most department heads, municipal court judges and various members of the City’s boards and commissions. The Mayor possesses the executive powers of the City, which are exercised by the boards, commissions, officers and departments of the City under his general supervision and control.

The Comptroller is the City's chief fiscal officer, and is elected at large for a four-year term. The Comptroller is, by Charter, Chairman of the Department of Finance for the City and also has broad investigative audit powers over City departments and agencies. The Comptroller also has administrative responsibility for all of the City's contracts, financial departments and accounting procedures.

The legislative body of the City is the Board of Aldermen. The Board of Aldermen is comprised of 28 Aldermen and a President. One Alderman is elected from each of the City's 28 wards to serve a four-year term, one-half of which wards elects Aldermen bi-annually. The President of the Board of Aldermen is elected at large to serve a four-year term. The President is the presiding officer of the Board of Aldermen.

The Board of Aldermen may adopt bills or ordinances which the Mayor may either approve or veto. Ordinances may be enacted by the Board of Aldermen over the Mayor's veto by a two-thirds vote.

The Board of Estimate and Apportionment is primarily responsible for the finances of the City. The Board of Estimate and Apportionment is comprised of the Mayor, the Comptroller and the President of the Board of Aldermen. For more detailed information regarding the responsibilities of the Board of Estimate and Apportionment, see "**FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS OF THE CITY – Budget Process**" herein.

While most governmental functions of the City are controlled by the Mayor, the Comptroller, the Board of Estimate and Apportionment and the Board of Aldermen, the appointment of certain officials, whose decisions may also affect the City as a whole, including the members of the Board of Police Commissioners (the "**Police Board**"), and the Board of Election Commissioners, is made by the Governor of the State of Missouri. The Sheriff, Treasurer, Collector of Revenue, License Collector, Circuit Clerk, Circuit Attorney, Public Administrator and Recorder of Deeds of the City are elected independently for four-year terms.

CITY'S MUNICIPAL SERVICES

General

The City provides a wide range of municipal and county services, including police and fire protection, non-commercial refuse collection, park and recreational facilities, forestry services, social services, street and other public lighting, traffic control and street maintenance.

Water and Sewer/Transportation

The City operates a water utility and Lambert-St. Louis International Airport (the "**Airport**"), both of which are self-supporting enterprises. All of the airport facilities and portions of the water utility facilities are located in St. Louis County on property owned by the City. Sewage and drainage facilities in the City and in adjacent St. Louis County are operated by The Metropolitan St. Louis Sewer District, a separate taxing authority established under Section 30 of Article VI of the Constitution of Missouri and financed by ad valorem taxes and user fees. Public transportation facilities for the City and much of the surrounding metropolitan area are operated by the Bi-State Development Agency of the Missouri-Illinois Metropolitan District (the "**Bi-State Development Agency**") which operates as "Metro". For additional information on the Bi-State Development Agency, see "**– Local Governmental Commissions and Agencies**" herein.

Fire Protection

The Fire Department of the City provides fire protection throughout the corporate limits of the City as well as to the Airport. Services to the City are provided from 30 fire stations currently staffed by approximately 631 full-time fire fighters.

Education

The public school systems within the City are operated under the administration and control of The School District of the City and The Junior College District of the City and St. Louis County. These districts are independent of the City, having their own elected or appointed officials, budgets and administrators. These districts are empowered to levy taxes, separate and distinct from those levied by the City, sufficient to finance the operations of the respective public school system within their jurisdictions.

Medical

Historically, the City has provided health care services for the indigent citizens of the City at public clinics and hospitals. More recently, however, the City has entered into contracts for private third parties to provide such services. Saint Louis ConnectCare, Inc. (“**ConnectCare**”) was formed as a nonprofit corporation in 1997 to provide indigent health care services for the citizens of the City. A portion of local use tax revenues are earmarked for providing health care services and were appropriated for payment to ConnectCare. Pursuant to annual agreements between the City and ConnectCare adopted each fiscal year, the City has contributed the following amounts for health services:

Year	Amount Contributed
2001	\$ 5,000,000
2002	5,000,000
2003	5,000,000
2004	5,000,000
2005	3,750,000 (as of 4/30/05)

Additional payments totaling \$1,250,000 will be made in June 2005.

Homeland Security

The national tragedy on September 11, 2001 has had an impact on costs of security in most of the country’s municipalities, including the City. The increase in security costs impacts the budgets for the City’s police department, fire department, public health department, airport, city water division and building facilities. The majority of the costs are either one-time costs in new equipment or costs for additional security personnel. The majority of the additional security costs are within the budget of the City’s enterprise fund, not the City’s general revenue fund.

The Board of Police Commissioners

The Board of Police Commissioners of the City (the “**Police Board**”) was established by Chapter 84 of the Revised Statutes of Missouri to provide the police force for the City. The Police Board employs the police force, administers the police department and provides offices, police stations and equipment for the police department.

Although the Police Board is not subject to direct City management and control, it derives almost all of its revenue from the City and has no power to levy taxes for any purpose. The Police Board does receive from time to time special grants and proceeds from asset forfeitures that amount in total to approximately 5% of their budget. The Police Board is required by law to prepare on or before the last day of February of each year a written estimate of the amount which will be necessary for the upcoming Fiscal Year to enable the Police Board to discharge its duties and meet the expenses of the police department and to certify the amount to the Board of Aldermen of the City.

The Board of Aldermen of the City is required by State statute to make the necessary appropriation for the amount certified, payable out of revenues of the City after deducting the amount

necessary to make the City's indebtedness payments, and to pay City hospital, health department and lighting expenses, but it has been held that the Board of Aldermen is not required under the statute to appropriate for the Police Board for any Fiscal Year a sum in excess of \$66,634,713, which was the amount of the budget certified as of the effective date of the amendment to the Constitution of Missouri commonly known as the "Hancock Amendment," which became effective on December 4, 1980. For additional information, see "**The Hancock Amendment**" herein.

Although the Board of Aldermen is not required to do so, it may appropriate sums for the Police Board in excess of \$66,634,713 per Fiscal Year, and the Board of Aldermen has done so for each of the past seventeen Fiscal Years. The Board of Aldermen, however, did not approve the entire amount of the initial budget submitted for each of those Fiscal Years. The budget as approved by the Board of Aldermen for Fiscal Year 2003 was \$128,227,999, for Fiscal Year 2004 was \$130,248,835, and for Fiscal Year 2005 is \$129,871,255. The Police Board entered into a lease agreement in August 1988 in connection with the \$12,890,000 Missouri Industrial Development Board's Capital Improvement and Refunding Leasehold Revenue Bonds, Series 1988 (Board of Police Commissioners of the City of St. Louis, Missouri, Lessee). The proceeds of the financing were used to purchase, construct and equip three new police stations. The lease was refinanced in February 2003 for \$6,665,000. The additional proceeds generated were used for further capital improvements. The lease obligation will be financed by a portion of the 1/2 cent sales tax earmarked for this purpose. The payments under the lease average \$1,423,000 per annum. See "**DEBT OF THE CITY - Capital Leases**" herein.

The amount budgeted by the Board of Aldermen for the Police Board is included in the budget for the City's General Revenue Fund. See "**FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS OF THE CITY – Budget Process**" herein. The budget of the Police Board is prepared under the cash basis of accounting and any unexpended appropriations lapse and are returned to the City.

Local Governmental Commissions and Agencies

There are a number of significant governmental authorities and commissions that provide services within the City.

The Police Department of the City is directed by the Police Board, consisting of the Mayor of the City, ex-officio, and four members appointed by the Governor of the State of Missouri, with the advice and consent of the State Senate. The Police Board has many duties and powers, including the power to administer oaths, summon witnesses and establish a police force. The level of employment, salaries, holidays, vacations, pensions and other employment benefits of the police force are set by state statute. The Police Board may provide itself with offices, office furniture, clerks and other staff as needed. On the last day of February each year, the Police Board must certify in writing an estimate of the amount of money necessary to carry out its duties during the next Fiscal Year. The state statute provides that the City must appropriate the certified amount in the General Revenue Fund budget for that year. However, a decision of the Supreme Court of the State, in State ex. rel Sayad v. Zych, 642 S.W.2d 907 (Mo. banc 1982), held that the City need only appropriate an amount equal to the amount appropriated in the 1980-1981 Fiscal Year, the year in which voters approved an amendment to the State Constitution limiting governmental tax and spending powers. After an appropriation has been made for a particular Fiscal Year, the Police Board is not permitted to transfer appropriated funds for one line item of such appropriation to any other line item without the approval of the Board of Estimate and Apportionment.

The Bi-State Development Agency (Metro) is a body corporate and politic established by a compact between the states of Missouri and Illinois and approved by an Act of Congress. The Bi-State Development Agency has authority to issue bonds payable out of revenues collected for the use of facilities leased, owned or operated by it in the City, St. Louis County and Illinois counties within the St. Louis Metropolitan Area. At present there is a special ½ cent sales tax authorized by the State of Missouri which is assessed by the City and St. Louis County and is primarily used to pay a portion of the

costs of the bus transportation system of the Bi-State Development Agency. In August 1994, an additional 1/4 cent sales tax was approved by the voters for the expansion of the MetroLink system, a transportation system within the City, St. Louis County, East St. Louis and Belleville, Illinois. The Bi-State Development Agency operates the MetroLink system between Belleville, Illinois and the Airport. Construction of the MetroLink system began in April 1990, operation in late 1993 and extension of service to the Airport in 1994. In October 1996, the Bi-State Development Agency was awarded a full funding grant agreement of \$244 million to be matched by a ½ cent sales tax increase totaling \$95.2 million paid by the taxpayers of St. Clair County for a 17.4 mile eastward expansion of MetroLink to Southwestern Illinois College (formerly known as Belleville Area College) in Illinois, constituting Phase I of a two-phase planned expansion of the system. Phase I Project construction began in March 1998 and was completed and in operation in May of 2001. The second phase of the expansion into St. Clair county, Illinois was completed in 2003, with funding by the State of Illinois and local funding from St. Clair County. Phase II added four (4) miles of double track alignment, extending the system to Shiloh, Illinois and Scott Air Force Base. The current MetroLink system is now 38 miles long with 28 stations. The transit agency broke ground on the next MetroLink expansion, the Cross County MetroLink Extension, in April 2003. This project is completely locally funded, through the current and future revenues of the ¼ cent sales tax. The Cross County project will add 8 miles and 9 new stations to the system.

The City conveyed title to the McArthur Bridge, which crosses the Mississippi River, to the Bi-State Development Agency to be used in the MetroLink system in exchange for the older Eads Bridge, formerly used by a railroad. Other capital costs were federally financed. If the MetroLink system should operate at a deficit, the City and other nearby jurisdictions may be asked to increase their funding to the Bi-State Development Agency. However, the City presently has no legal obligation to increase its level of funding to the Bi-State Development Agency. The deck of Eads Bridge was refurbished and reopened July 3, 2003.

The St. Louis Development Corporation (the “SLDC”) is a nonprofit corporation which provides technical expertise, staff and support services to public or civic bodies engaged in improving economic opportunities in the City. The SLDC functions as an umbrella entity for numerous agencies and authorities with a broad variety of functions and powers for the City. There are approximately 75 staff members, including executive, real estate, business development, commercial development, planning, urban design, neighborhood housing, research, communications, legal, finance and administration divisions. The agencies served by the staff of the SLDC include: Land Clearance for Redevelopment Authority; Planned Industrial Expansion Authority; Land Reutilization Authority; Local Development Company (SBA); Industrial Development Authority; Port Authority; and Operation Impact. SLDC works especially closely on planning and development matters with two City departments – the Planning and Urban Design Agency and the Community Development Administration.

Other public bodies and agencies operating in the City include, but are not limited to, the St. Louis Housing Authority, Regional Convention and Visitors Commission, Regional Chamber and Growth Association, the East-West Gateway Coordinating Council, the Regional Convention and Sports Complex Authority, the St. Louis Municipal Finance Corporation and the Downtown Saint Louis Partnership, Inc.

FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS OF THE CITY

Introduction

Management of the City’s finances includes preparation of an annual budget, control of the expenditure of City funds, cash management and the levy and collection of property taxes. This section presents information regarding the City’s finances, including the City’s accounting and budgeting practices.

Accounting and Reporting Practices

The City maintains its accounting records on the basis of funds and account group.

Governmental Type Funds -- Governmental Type Funds are used to account for the acquisition, use and balances of the City's financial resources and related liabilities. The measurement focus is upon determination of changes in financial position, rather than net income determination. The following are the City's governmental type funds:

General Revenue Fund -- The General Revenue Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds -- Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts of major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund -- Debt Service Fund is used to account for the accumulation of resources for and the payment of general long term debt principal, interest and related costs.

Capital Project Fund -- Capital Project Fund is used to account for financial resources to be used for acquisition or construction of major facilities (other than those financed by proprietary funds and trust funds).

Proprietary Funds -- Proprietary Funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following describes the City's proprietary fund types:

Enterprise Funds -- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds -- Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost reimbursement basis.

Fiduciary Funds -- Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following describes the City's fiduciary fund:

Trust and Agency Funds -- Trust and Agency Funds are used to account for assets held in trust or as an agent by the City for others. Agency Funds are custodial in nature and are used to account for assets held by the City as an agent for individuals, private organizations, other governmental units and/or other funds. Pension Trust funds are accounted for and reported similar to proprietary funds.

The financial statements of the various funds of the City, other than the Enterprise Funds, are presented, generally, on a modified accrual basis of accounting. An annual audit is made of the accounts and the records of the City. This examination is conducted by an independent certified public accountant, engaged by the Mayor for this purpose.

Budget Process

The Board of Estimate and Apportionment proposes annual operating and capital budgets for the ensuing Fiscal Year, based on information provided by the various City departments (including the Budget Division), commissions and boards.

After internal review and analysis by the Board of Estimate and Apportionment, a proposed budget, which includes a statement showing estimated receipts and expenditure requirements of each department, commission and board, and a comparative statement of receipts and expenses incurred for the previous year, is submitted to the Board of Alderman.

Under a City Charter Amendment adopted in 1987, the Board of Estimate and Apportionment must submit its proposed budget to the Board of Aldermen no less than 60 days prior to the beginning of the Fiscal Year, July 1.

The budget bill is assigned to the Ways and Means Committee of the Board of Aldermen, which conducts public hearings on segments of the proposed budget prior to taking any action. Thereafter, the proposed budget is reviewed and then considered by the Board of Aldermen.

The Board of Aldermen may reduce the amount of any item in a budget bill, except amounts fixed by statute for the payment of principal of or interest on City debt or for meeting any ordinance obligations. The Board of Aldermen may not increase the amount of the proposed budget nor insert new items. Also under the City Charter, the Board of Estimate and Apportionment submits and recommends to the Board of Aldermen a bill establishing City real property tax rates. Currently, increasing the level of existing taxes or imposing new taxes requires voter approval in accordance with the Missouri Constitution. See the caption “**TAXATION AFFECTING THE CITY -- The Hancock Amendment**” herein.

Should the Board of Estimate and Apportionment not timely submit its proposed budget or tax rate to the Board of Aldermen, the Budget Director is required to submit directly to the Board of Aldermen data, including projected revenues and expenses, necessary to permit the Board of Aldermen to approve an operating budget prior to the beginning of the Fiscal Year.

Should the Board of Aldermen not approve a budget or tax rate by the beginning of a Fiscal Year, the proposed budget or tax rate recommended by the Board of Estimate and Apportionment, or, in its absence, the submission by the Budget Director, is deemed to have been approved by the Board of Aldermen.

Except with respect to the general appropriation bill and bills providing for the payment of principal of or interest on debt, no appropriation may be made from any revenue fund in excess of the credit balance of such fund, and no appropriation may be made for any purpose to which the money is not lawfully applicable. The Board of Estimate and Apportionment may, from time to time, appropriate any accruing, unappropriated City revenue, and whenever an appropriation exceeds the amount required for the purpose for which it was made, the excess or any portion or portions thereof may, by ordinance recommended by the Board of Estimate and Apportionment, be appropriated to any other purpose or purposes. All unexpended appropriated money, not appropriated by special ordinance for a specific purpose, reverts at the end of the then current Fiscal Year to the fund or funds from which the appropriation was made.

Financing Controls

During recent years, the City has implemented significant measures to upgrade its financial reporting systems. This was done in an effort to bring the financial system in line with the requirements

of generally accepted accounting principles. This effort has been successful. The City's Comprehensive Annual Financial Report for fiscal year 2003 was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association ("GFOA"). It was the seventeenth year the City has received this prestigious award. The Certificate of Achievement is awarded to recognize a governmental unit which published an easily readable and efficiently organized comprehensive annual report that meets both generally accepted accounting principles and applicable legal requirements. The GFOA presented an award of Distinguished Presentation to the Budget Division, City for its annual budget for the fiscal year beginning July 1, 2004. This award is given in recognition of a government unit that publishes a budget document that meets program criteria as a policy document, an operations guide, and as a communicative device.

At present, the City utilizes a fully computerized Accounting Information Management System (the "AIM System"). The AIM System is based on a single transaction concept of processing whereby all relevant files and reports are updated from a single input of information. The AIM System provides: (1) integrated general and subsidiary accounting of all funds; (2) appropriation/encumbrance accounting and controls; and (3) generation of cost/expenditure data in multiple formats that are useful for budgetary control and other managerial purposes. In developing and evaluating the City's accounting system, consideration was given to the adequacy of internal accounting controls. Internal account controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets.

Through annual appropriations, the City maintains budgetary control at the department level by line item. Cost classifications are categorized in the following groups: personnel services, supplies and materials, rental and leases, non-capital equipment, capital leases, contractual and other services, and debt service.

Encumbrances are recorded by the Control Section through an on line budgetary control module before requisitions are sent to the Purchasing Division. If sufficient funds are not available to cover a purchase, the requisition is returned to the originating department for transfer of funds or cancellation. Department appropriations are allowed to be adjusted by transfers of appropriations with the prior approval of the Board of Estimate and Apportionment. The Comptroller is able to control all of the above using the AIM system.

It is the special responsibility of the Comptroller, as set forth in the Charter, to provide City officials and taxpayers with reasonable assurances that public funds and property are adequately safeguarded and that financial transactions are authorized and properly recorded. The internal audit staff of the Office of the Comptroller is responsible for carrying out the Charter and ordinance provisions relating to the audit of records, funds and securities of every person charged with safekeeping of the City's assets. The objective is to evaluate the procedures in effect to conserve and safeguard the City's property. Besides the focus on the collection and recording of receipts, department audits include development of recommended procedures for improvement of internal controls in the maintenance of accounts receivable and properly control records. Audits are conducted on a continuing cycle.

Cash Management

Cash management is handled by the City Treasurer. The Treasurer, an elected official, maintains bank accounts, invests funds and maintains account records.

All cash not restricted by law to specific accounts is pooled into the "General Pooled Cash" and invested by the City Treasurer. The Treasurer provides cash forecasting so that adequate cash is available while investments are maximized. All investments held by the Treasurer as of April 29, 2005, totaled \$297,913,443 at cost. Consistent with state law, all investments held by the Treasurer are in direct

securities backed by the full faith and credit of the U.S. Government or its agencies and those that may be approved by the State Treasurer, or in time deposits collateralized by those securities.

Cash Management Investment Policy

On March 6, 1998, the City adopted its revised Public Funds Investment Policy, through the Funds Committee of the City. The investment policy applies to all financial assets of the City, including the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Internal Service Funds, Enterprise Funds, Trust and Agency Funds and proceeds of bond issues, but does not apply to the City's pension funds. The objectives stated in the policy (in order of priority) are (a) security, (b) liquidity, (c) investment return, (d) local economic benefit, and (e) social policy. The policy applies a prudent man standard to management of the overall portfolio, with investments limited to U.S. Government obligations, obligations of any agency or instrumentality of the U.S., bonds of the State of Missouri or the City, certificates of deposit, repurchase agreements maturing within 90 days and deposits with listed institutions. Certificates of deposit, repurchase agreements maturing within 90 days and deposits with listed institutions must be collateralized. The City's revised Public Funds Investment Policy has been approved for certification by the Municipal Treasurers' Association of the United States and Canada. Columbia Capital Consultants, LLC serves as investment consultant to the Treasurer's office.

General Revenue Fund

In accordance with generally established accounting procedures for governmental units, the City records its financial transactions under various funds. The largest is the General Revenue Fund, from which all general operating expenses are paid and to which taxes and all other revenues not specifically allocated by law or contractual agreement to other funds are deposited. Expenditures from the General Revenue Fund are for payments of the payroll, pension, employee benefits and other miscellaneous ordinary operating expenses.

General Revenue Fund Expenditures. **Table I** is a combined statement of revenues, expenditures and changes in fund balances on an accrual basis for the past five fiscal years. **Table II** shows a general revenue fund summary of operations on a budgetary (cash) basis for the fiscal years ended June 30, 2004, June 30, 2003, and June 30, 2002. The City provides funding for several significant municipal services which are not subject to direct city management and control.

TABLE I
City of St. Louis General Revenue Fund Combined Statement of Revenues, Expenditures and
Changes in Fund Balances Accrual Basis – Fiscal Years Ended June 30
(In Thousands)

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Revenues					
Taxes	\$ 294,387	\$ 310,932	\$ 313,482	\$ 329,498	\$ 311,310
Licenses & Permits	16,960	15,942	15,691	15,191	15,891
Intergovernmental Aid	22,531	13,082	12,175	13,155	8,255
Charges for Services	15,810	12,340	12,283	15,312	14,668
Court Fines & Forfeitures	8,906	8,680	8,200	7,132	8,450
Interest	1,621	2,260	3,544	3,680	4,729
Interfund Services provided	3,921	4,476	4,864	-	-
Miscellaneous	<u>4,263</u>	<u>7,499</u>	<u>4,367</u>	<u>3,455</u>	<u>3,155</u>
Total Revenues	<u>\$ 368,399</u>	<u>\$ 374,606</u>	<u>\$ 387,423</u>	<u>\$ 366,458</u>	<u>\$ 366,458</u>
Expenditures					
General Government	\$ 43,036	\$ 42,474	\$ 39,043	\$ 39,254	\$ 37,461
Convention & Tourism	199	2,201	2,219	2,159	1,936
Parks and Recreation	18,501	18,184	17,765	16,929	16,275
Judicial	40,059	41,603	39,393	35,608	34,100
Streets	28,695	30,005	31,680	29,245	28,565
Public Safety ²	223,776	216,095	205,618	76,570	75,941
Health and Welfare	4,989	2,705	11,332	12,103	11,668
Public Services	22,131	24,283	22,868	22,961	20,550
Capital Outlay	-	-	15	2,134	3,920
Debt Service	<u>19,832</u>	<u>30,060</u>	<u>26,209</u>	<u>22,702</u>	<u>30,041</u>
Total Expenditures	<u>\$ 401,218</u>	<u>\$ 407,610</u>	<u>\$ 396,142</u>	<u>\$ 259,665</u>	<u>\$ 260,457</u>
Excess of Revenues Over (Under) Expenditures					
Other Finance Sources/(Uses)	<u>\$ (32,819)</u>	<u>\$ (32,399)</u>	<u>\$ (21,536)</u>	<u>\$ 127,758</u>	<u>\$ 106,001</u>
Proceeds from Capital Leases	-	-	-	-	-
Issuance of Note Payable	-	-	-	1,980	-
Issuance of refunding bonds – leasehold revenue bonds	-	141,975	65,348	-	2,773
Premium on leasehold revenue bonds	-	11,251	1,935	-	-
Discount on leasehold revenue bonds	-	-	-	-	-
Payment refunded to Bond Escrow Agent	-	(149,808)	(62,789)	-	-
Transfers In	2,972	21,025	18,686	10,823	13,682
Operating Transfers from Component Units ²	-	-	-	125	125
Recovery of legal judgment	24,458	-	-	-	-
Transfers Out	(1,419)	(3,249)	(9,802)	(12,322)	(24,281)
Operating Transfers to Component Units ²	-	-	(118,378)	(114,458)	(114,458)
Total Other Financing Sources (Uses)	<u>\$ 26,011</u>	<u>\$ 21,194</u>	<u>\$ 13,378</u>	<u>\$(117,772)</u>	<u>\$(122,159)</u>
Excess of Revenues & Other Finance Sources Over (Under) Expenditures & Other Uses	(6,808)	(11,205)	(8,158)	9,986	(16,158)
Fund Balances (Beginning of Fiscal Year) ¹	<u>76,714</u>	<u>87,919</u>	<u>96,077</u>	<u>86,091</u>	<u>80,523</u>
Fund Balances (End of Fiscal Year)	<u>\$ 69,906</u>	<u>\$ 76,714</u>	<u>\$ 87,919</u>	<u>\$ 96,077</u>	<u>\$ 64,365</u>

¹ Fund Balances (Beginning of Fiscal Year) at June 30, 2001 differ from Fund Balances (End of Fiscal Year) of the preceding Fiscal Year due to the adoption of GASB No. 33 and other accounting matters.

² Beginning in 2002, the City was required to show transfers to component units as expenditures.

Source: Audited Financial Statements.

TABLE II
City of St. Louis General Revenue Fund Summary of Operations
Cash Basis - Fiscal Years Ended June 30
(In Thousands)

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues			
Taxes	\$ 318,813	\$ 319,827	\$ 324,371
Licenses & Permits	17,165	15,822	15,675
Intergovernmental Aid	6,788	6,186	5,914
Charges for Services	20,243	18,019	17,713
Court Fines & Forfeitures	5,378	4,561	4,604
Interest	76	162	1,258
Miscellaneous	<u>3,163</u>	<u>4,906</u>	<u>4,070</u>
Total Revenues	\$ <u>371,626</u>	\$ <u>369,483</u>	\$ <u>373,605</u>
Expenditures			
General Government	\$ 41,424	\$ 42,556	\$ 39,259
Convention & Tourism	1,895	2,204	2,216
Parks & Recreation	18,407	17,979	17,797
Judicial	40,216	41,299	39,267
Streets	28,569	30,007	31,352
Public Safety	94,083	90,452	85,414
Police	128,136	126,577	116,994
Health & Welfare	5,113	2,845	11,563
Public Services	22,141	24,204	23,121
Debt Service	<u>14,374</u>	<u>22,687</u>	<u>22,279</u>
Total Expenditure	\$ <u>394,358</u>	\$ <u>400,810</u>	\$ <u>389,262</u>
Excess of Revenues Over (Under) Expenditures	<u>(22,732)</u>	<u>(31,327)</u>	<u>(15,657)</u>
Other Financial Sources (Uses):			
Transfers In	\$ 18,665	\$ 24,793	\$ 19,776
Transfers Out ¹	<u>(2,234)</u>	<u>(2,049)</u>	<u>(5,906)</u>
Total Other Finance Sources (Uses)	<u>16,431</u>	<u>22,744</u>	<u>13,870</u>
Excess of Revenues & Other Finance Sources			
Over (Under) Expenditures & Other Finance			
Uses	(6,301)	\$ (8,583)	\$ (1,787)
Fund Balances (Beginning of Fiscal Year)	20,431	29,014	31,019
Transfer to Capital Improvements Funds	-	-	(218)
Fund Balances (End of Fiscal Year)	\$ <u>14,130</u>	\$ <u>20,431</u>	\$ <u>29,014</u>

¹ Transfers out have been restated to include transfers to reserves.

Source: City Comptroller's Office.

General Revenue Fund Receipts

The following table sets forth the percentage of receipts for various categories of the General Revenue Fund for the Fiscal Years set forth below:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
TAXES:			
Earnings	31.03%	31.00%	30.91%
Franchise	13.39	13.23	13.11
Sales	11.51	11.74	12.08
Gross Receipts	3.00	3.04	3.11
Motor Vehicle Sales Tax	0.90	0.85	0.98
Motor Fuel	2.58	2.24	2.36
Real Estate	8.15	7.54	7.44
Personal Property	2.89	3.06	3.10
Payroll	8.07	8.08	8.98
Other Taxes	<u>0.18</u>	<u>.32</u>	<u>.35</u>
Total Taxes	81.70	81.10	82.42
License Fees	4.39	4.01	3.98
Departmental Receipts	9.13	8.58	8.53
27th Pay Reserve Transfers	-	0.03	0.05
Transfers	<u>4.78</u>	<u>6.28</u>	<u>5.02</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: City Comptroller's Office.

TAXATION AFFECTING THE CITY

Earnings Tax

The City's Earnings Tax is the most significant single source of General Revenue Fund revenues, representing 31% of the total General Revenue Fund revenues for the Fiscal Year ended June 30, 2004. The Earnings Tax is levied against residents of the City, nonresidents employed within the City and businesses within the City. The Earnings Tax was authorized by State statute in 1954 and was initially set at the rate of one-half of one percent of the gross income of individuals and of net profits of businesses within the City. The current rate of one percent has been in effect since 1959.

Earnings Taxes are withheld by employers and submitted to the City on a quarterly basis, except for employers withholding more than \$1,500 per month, who remit their taxes monthly. Residents of the City who are employed outside of the City and do not have the Earnings Tax withheld from their pay are required to file a tax return and pay the Earnings Tax on an annual basis.

The City's General Fund Earnings Tax revenue for the Fiscal Years set forth below was as follows:

Year	Earnings Tax
2000	\$ 117,304,729
2001	122,594,135
2002	121,656,641
2003	122,206,236
2004	121,111,509

Source: City Comptroller's Office

Franchise Tax

The Franchise Tax of the City is a tax on utilities operating within the City and on certain gross receipts of the Airport. This tax is passed on to the consumers by the utilities. The tax on Laclede Gas Company and AmerenUE (formerly Union Electric Company) is 10% of the gross receipts from their commercial customers and 4% from their residential customers. Charter Communications, Inc. is taxed on 5% of gross revenues for its City cable franchise. Charter Communications is not included in General Fund. The telecommunications companies, Trigen Energy Corp. and the Water Division of the City are taxed 10% of their gross receipts from all users and the Lambert-St. Louis International Airport pays to the General Revenue Fund 5% of its gross revenues. Franchise Taxes are collected and paid to the City monthly and/or quarterly.

The City's General Fund Franchise Tax revenue for the Fiscal Years set forth below was as follows:

Year	Franchise Tax
2000	\$ 50,645,837
2001	57,189,210
2002	51,581,018
2003	52,153,791
2004	52,271,960

Source: City Comptroller's Office

Sales Tax

A City Sales Tax, which was authorized by the Missouri General Assembly and was approved by voters at an election held in 1969, became effective in 1970 at a rate of one percent of sales within the City. This tax is collected on a monthly basis by the State of Missouri along with the State sales tax and remitted to the City by the 10th of the following month. On August 3, 1993, voters approved a three-eighths cent sales tax increase for general operations and a one-half cent sales tax increase for capital improvements.

On November 7, 2000, voters in the City, approved a one tenth of one percent sales tax to fund a Metropolitan Park and Recreation District which took effect on July 1, 2001. 50% of revenue collected from the tax will go to the metropolitan district as will funds from other counties which have a similar tax to fund the Metropolitan Park and Recreation District. 50% of the tax revenues is returned to the City and placed in a special fund, the "Metro Parks Trust Fund" for local park improvement. On April 10, 2001, City voters approved a use tax at the same rate as local sales tax, currently a rate of 2.725 percent, to provide funds for the development and preservation of affordable and accessible housing and public health care services. A use tax return need not be filed by persons who spend less than \$2,000 on purchases from out of state in any calendar year. This tax took effect on July 1, 2001.

The City's General Fund Revenue Sales Tax receipts for the Fiscal Year set forth below were as follows:

Year	Sales Tax
2000	\$ 48,134,756
2001	49,807,227
2002	47,555,507
2003	46,280,903
2004	44,916,621

Source: City Comptroller's Office

Gross Receipts Tax

The City's Gross Receipts Tax is comprised of three components: (1) public garage and parking lots tax; (2) amusements admission tax and (3) one-half cent restaurant tax.

The City's Gross Receipts Tax revenue for the Fiscal Years set forth below was as follows:

Year	Gross Receipts Tax
2000	\$ 9,375,323
2001 ¹	11,304,969
2002	12,236,354
2003	11,982,766
2004	11,566,876

¹ Rams' football gross receipts tax was placed in a Special Revenue Fund prior to Fiscal Year 2001 to finance the City's portion of the Rams' practice facility.

Source: City Comptroller's Office

Motor Vehicle Sales Tax

The Motor Vehicle Sales Tax is collected by the State in the form of the State sales tax and remitted to the City monthly. A constitutionally-mandated portion of the proceeds of the State sales tax is distributed to local governments, including the City, based on their proportionate share of the State's total population.

The City's General Fund Motor Vehicle Sales Tax revenue for the Fiscal Years set forth below was as follows:

Year	Motor Vehicle Sales Tax
2000	\$ 3,670,827
2001	4,134,656
2002	3,868,712
2003	3,364,018
2004	3,522,049

Source: City Comptroller's Office

Motor Fuel Tax

The City receives a share of the State motor fuel tax based upon the City's proportionate share of the State's population. Motor fuel tax is collected by the State on a monthly basis and remitted to the City monthly.

The City's General Fund Motor Fuel Tax revenue for the Fiscal Years set forth below was as follows:

Year	Motor Fuel Tax
2000	\$ 10,552,422
2001	10,219,892
2002	9,275,077
2003	8,831,066
2004	10,069,537

Source: City Comptroller's Office

Real and Personal Property Taxes

Taxes are levied on all real and personal property owned as of January 1 of each year. Tax bills are mailed out in November and payment is due by December 31, after which taxes become delinquent. Residential property is currently assessed at 19% of true value, commercial property is assessed at 32% of true value, and agricultural property is assessed at 12% of true value. Real property is reassessed every two years (in odd-numbered years), as required by State law. Reassessments are reflected in the value below for the indicated years. The formula for setting the tax rate does not allow for more than normal growth in tax collections. As a result, there is no “windfall” to the City as a result of the reassessment.

Calendar Year	<u>Real Property</u>¹		<u>Personal Property</u>¹		<u>Manufacturers’ Inventory Value</u>²	<u>Total Assessed Value</u>
	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>		
2000	\$ 1,923,262,482	\$ 8,042,460,306	\$ 805,857,347	\$ 2,419,992,033	\$ 304,558,850	\$ 3,033,678,679
2001	2,056,858,341	8,606,069,224	901,303,561	2,706,617,300	305,621,759	3,263,783,661
2002	2,059,506,810	8,616,895,464	811,285,903	2,436,294,003	305,359,625	3,176,152,338
2003	2,277,100,961	9,611,957,762	789,866,491	2,371,971,444	296,768,056	3,363,735,508
2004	2,310,268,668	9,741,401,301	770,103,724	2,312,623,796	285,352,828	3,365,725,220

Source: ¹ City Assessor’s Office.

² City License Collector’s Office.

The estimated “Market Value” of real property in the City for the last five calendar years is set forth below:

Calendar Year	Commercial	Residential	Total Real Property
2000	\$ 3,039,961,722	\$ 5,002,498,584	\$ 8,042,460,306
2001	3,243,886,066	5,362,183,158	8,606,069,224
2002	3,248,435,938	5,368,459,526	8,616,895,464
2003	3,467,915,278	6,144,042,484	9,611,957,762
2004	3,533,864,775	6,207,536,526	9,741,401,301

Source: City Assessor’s Office.

The tax rate levied on real and personal property for the General Revenue Fund of the City during Fiscal Year 2004 was \$1.411 per \$100 of assessed valuations and during Fiscal Year 2003 was \$1.4574 per \$100 of assessed valuations. The collection rate for the Fiscal Year 2004 was 86.9% compared to the rate of 90.5% for Fiscal Year 2003. Tax receipts paid in protest are distributed to the City after the normal due date for real property taxes. Consequently, the rate of collection as a percentage of current amounts due is understated.

The City’s General Fund Real and Personal Property Tax revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

Fiscal Year	Real Property	Personal Property
2000	\$ 26,543,628	\$ 10,881,453
2001	27,602,292	11,583,306
2002	29,274,005	12,206,249
2003	29,729,948	12,051,536
2004	31,133,552	11,308,831

Source: City Comptroller’s Office

Payroll Tax

In an election held in 1988, voters approved a Payroll Tax. The Payroll Tax is one-half of one percent of total compensation paid by a business to its employees for work in the City. The tax is not applicable to nonprofit, charitable, civic organizations or hospitals. The Payroll Tax is administered by the Collector of Revenue and is payable quarterly on the last day of January, April, July and October for the preceding calendar quarter.

The City's General Fund Payroll Tax revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

Fiscal Year	Payroll Taxes
2000	\$ 31,434,827
2001	34,719,193
2002	35,358,684
2003	31,890,987
2004	31,483,891

Source: City Comptroller's Office

Other Taxes

Other taxes collected by the City include the intangible tax, land tax suits, manufacturers tax, commercial property surcharge and county stock insurance tax.

The City's General Fund other tax revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

Fiscal Year	Other Taxes
2000	\$ 1,444,646
2001	1,595,189
2002	1,358,594
2003	1,335,736
2004	1,427,576

Source: City Comptroller's Office

License Fees

License Fees are collected by the City for the use or sale of or conduct of business in the following categories: automobiles, cigarettes, liquor, business, contractors and certain miscellaneous items. A variety of business license and inspection fees were replaced with the Graduated Business License Tax and the Payroll Tax in 1988 by voter approval. The Graduated Business License Tax is a flat rate, depending on the number of City employees in the previous calendar year. The tax ranges from \$150 for employers with two or fewer employees to \$25,000 for employers with greater than 500 employees. The issuing of business licenses and the collection of the new License Fees is administered by the License Collector's Office.

The City's General Fund License Fee revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

Fiscal Year	License Fees
2000	\$ 15,938,251
2001	15,118,463
2002	15,674,582
2003	15,821,888
2004	17,164,611

Source: City Comptroller's Office

Departmental Receipts

Several City departments generate revenues from fees and charges. Those revenue-producing departments include the Department of Parks and Recreation and Forestry, the Public Safety Department, the Street Department, the Public Utilities Department, the Department of Health and Hospitals, Recorder of Deeds, Circuit Court, Juvenile Detention Center, Sheriff, Medical Examiner, Probate Court and the City Courts.

The City's General Fund Departmental Receipts revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

Fiscal Year	Departmental Receipts
2000	\$ 29,296,276
2001	31,134,787
2002	33,559,853
2003	33,834,201
2004	35,647,737

Source: City Comptroller's Office

Operating Transfers

A major source of transferred funds is from other Special Revenue Funds. Other Special Revenue Funds consist of the Child Support Unit-Circuit Attorney Fund and the Columbia Bottoms Fund. Remaining transfers represent funds which by law must first be deposited in a fund, other than the General Revenue Fund, which, after a determination by the Comptroller that such deposits are a surplus, are transferred to the General Revenue Fund. The City's Operating Transfers for Fiscal Years set forth below, on a cash basis, were as follows:

Fiscal Year	Operating Transfers¹
2000	\$ 18,361,988
2001	19,200,864
2002	19,775,991
2003	24,793,323
2004	18,664,916

¹ Figures do not include transfers related to certain employment reserves.
Source: City Comptroller's Office

The Hancock Amendment

An amendment to the Missouri Constitution limiting taxation and government spending was approved by Missouri voters on November 4, 1980. The amendment (popularly known as the Hancock Amendment) limits the rate of increase and the total amount of taxes which may be imposed in any Fiscal

Year, and the limit may not be exceeded without voter approval. Provisions are included in the amendment for rolling back tax rates to produce an amount of revenues equal to that of the previous year if the definition of tax base is changed or if property is reassessed. The tax levy on the assessed valuation of new construction is exempt from this limitation. The limitation on local governmental units does not apply to taxes imposed for the payment of principal of and interest on general obligation bonds approved by the requisite percentage of voters.

The Hancock Amendment also requires political subdivisions of the State to obtain voter approval in order to increase any “tax, license or fee.” The precise meaning and application of the phrase “tax, license or fee” is unclear, but recent decisions of the Missouri Supreme Court have indicated that it does not apply to traditionally set fees. The limitations imposed by the Hancock Amendment restrict the City’s ability to increase many but not all taxes, licenses and certain fees without obtaining voter approval.

Major Taxpayers

The following tables set forth information regarding the top payers of earnings tax, payroll tax, real estate tax and personal property tax to the Collector of Revenue for the indicated period:

TOP 20 TAXPAYERS EARNINGS TAX -- 2004 CALENDAR YEAR

Company Name	Amount Paid
Anheuser Busch	\$ 5,448,700
Washington University	4,710,238
BJC Health System	4,534,474
SBC Communications	3,959,172
City of St. Louis	3,202,548
A.G. Edwards	2,580,237
St. Louis University	2,392,755
United States Postal Service	2,083,747
St. Louis Board of Education	2,066,154
Defense Finance & Accounting Service	1,923,810
May Company	1,731,140
Ameren Corporation	1,663,939
Tenet Health System	1,633,374
National Finance Center	1,495,622
Sigma Aldrich	1,408,324
Bank of America	1,386,913
State of Missouri	1,229,394
Nestlé Purina	1,018,448
Veterans Administration	992,819
RightChoice Managed Care	892,817

Source: City Collector of Revenue

**TOP 20 TAXPAYERS
PAYROLL EXPENSE TAX -- 2004 CALENDAR YEAR**

Company Name	Amount Paid
Anheuser Busch	\$ 2,038,280
SBC Communications	1,985,023
A.G. Edwards	1,256,355
Tenet Health System	836,690
May Company	827,947
Ameren Corporation	573,239
Nestlé Purina	508,744
Sigma Aldrich	386,609
Thompson Coburn	350,884
Tyco Healthcare Group	341,043
St. Louis Cardinal LP	327,777
US Bank NA	292,387
RightChoice Managed Care	283,176
Laclede Gas	271,195
Union Pacific Railroad	265,895
Peabody Holding Company	227,052
St. Louis Post-Dispatch LLC	220,331
Solae LLC	166,870
Kiel Center Partners	165,346
Bryan Cave LLP	158,275

Source: City Collector of Revenue

**TOP 20 TAXPAYERS
REAL ESTATE TAX -- 2004 CALENDAR YEAR**

Company Name	Amount Paid
Anheuser Busch	\$ 5,945,771
AmerenUE	5,157,472
Laclede Gas	4,794,575
SBC Communications	3,690,283
Tenet Health System	2,212,036
AGE Properties	2,090,702
First States Investor	1,994,724
TrizacHahn St., Louis Inc.	1,835,490
UGP-Kiener/Stadium Parking LLC	1,462,547
Union Center Redevelopment	1,116,747
Nestlé Purina	1,054,627
Mallinckrodt	837,502
Seven-Seventeen Redevelopment	716,928
Sigma Chemical Corporation	621,137
May Company	553,054
Kingsdell, LP	515,027
Mercantile/US/Firststar	444,094
Laclede Towers Association	437,737
Solutia Inc.	207,290
Oscar Woesterman et al.	198,734

Source: City Collector of Revenue

**TOP 20 TAXPAYERS
PERSONAL PROPERTY TAX -- 2004 CALENDAR YEAR**

Company Name	Amount Paid
SBC Service Inc.	\$ 4,133,400
Laclede Gas	1,649,960
Tenet Health System	1,257,487
Anheuser-Busch Inc.	1,256,883
Ameren Union Electric Company	1,215,618
Nestlé Purina Petcare Inc.	523,799
IBM Credit Corp.	511,531
Cybertel Cellular	506,974
Charter Communications	484,023
Edwards A.G. Sons Inc.	467,372
E Missouri Cellular LP	334,495
IOS Capital	297,382
Mallinckrodt Inc.	290,742
President Riverboat Casino	283,539
May Company	281,979
J. S. Alberici Construction	268,309
Alantic Express	267,531
Bank of America	202,336
Kiel Center Partners LP	199,283
Gateway Hotel Partners	174,461

Source: City Collector of Revenue

CITY'S INSURANCE

The City uses a combination of insurance and self-insurance for risk protection. Certain coverage has been obtained for high risk activities or as required by law. Damage to City property, repair or replacement costs, if excessive in nature, would have to be made from the operating budget, or possibly, bond funds. All liability claims not covered by insurance are handled by the City Counselor's Office. The City's staff of attorneys attempts to settle or defend all claims which may be made. Each year an appropriation is made to a judgment account, which is segregated and reserved in a nonprofit corporation from which all judgments or settlements are paid. Expenditures during the last five Fiscal Years were:

Fiscal Year	Expenditures
2000	\$ 1,359,187
2001	1,967,405
2002	1,726,155
2003	1,392,281
2004	1,577,279

Source: City Comptroller's Office.

During Fiscal Year 1992, the City turned the administration of all workers' compensation responsibilities over to the Public Facilities Protection Corporation. A third-party administrator was contracted to process all claims and make recommendations regarding workers' compensation concerns. The utilization of a third party administrator working with improved City safety efforts has resulted in a reduction of the number and severity of workers' compensation claims. This has also enabled the City to process claims and payments more timely as well as provide more timely and accurate statistical data.

Effective June 15, 2002, the City became self-insured for its employees' health insurance. An internal service fund has been established to account for payment of health insurance claims for participants. During Fiscal Year 2005, the City again contracted out the health insurance.

DEBT OF THE CITY

General

The City is authorized to issue general obligation bonds payable from unlimited ad valorem taxes upon a 2/3 majority vote of the qualified voters voting on the specific proposition. In August 1988, Missouri voters approved an amendment to the Missouri Constitution. The amendment reduced the majority vote required for the incurrence of debt for various public purposes by local government and other political subdivisions from 2/3 to 4/7 at elections on the general municipal election days or the state primary or general election days. Because the City Charter presently requires a 2/3 vote for the issuance of bonds of the City, voter approval of a Charter amendment is needed to reduce the majority requirements as authorized by the State constitutional amendment. Such a Charter amendment was submitted to City voters in August and November 1988; at each election the proposal received more than a majority of the votes cast, but less than the required 60%. The Missouri Constitution provides that the amount of bonds payable out of tax receipts (which includes bonds payable from the special assessments) will not exceed 10% of the total assessed valuation of the taxable property of the City. The Constitution permits the City to become indebted for an additional 10% of the value of the taxable tangible property for the purpose of acquiring a right-of-way, construction, extending and improving a sanitary or storm sewer system.

The City is also authorized to issue revenue bonds to finance capital improvements to its water system, sewer system and Airport facilities. These types of revenue bonds require a two-thirds vote of the qualified electorate voting on the specific proposition. All revenue bonds issued by the City are payable solely out of the revenue derived from the operation of the facility that is to be financed with the proceeds of such bonds. Revenue bonds do not constitute a pledge of the full faith and credit of the City and are not considered in determining the legal debt margins resulting from the limitations described herein.

Likewise, the City is authorized by statute to issue "Tax Increment Financing" obligations pertaining to development projects. In July 1991, the City issued \$15,000,000 of Tax Increment Revenue Bonds (Scullin Redevelopment Area), Series 1991A, for the St. Louis Marketplace project. Such obligations are secured by increments of revenues attributable to property and other taxes generated by improvements to the project area, and may also be secured by annual appropriations from the City's General Revenue Fund. As part of the St. Louis Marketplace financing, the City covenanted to request annual appropriations from the General Revenue Fund beginning in Fiscal Year 1993 to cover any shortfalls in the payment of debt service on these bonds until such time as the aforementioned incremental revenues are at least equal to 150% of the annual debt service payments on said bonds for five consecutive years. According to the Comptroller's office, the City has not covered any shortfalls to date; however, there can be no assurances that they will not be called upon to do so in the future.

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Tax Increment Financing Projects

The City has entered into the following Tax Increment Financing projects. To the extent that the City has issued or will issue Tax Increment Revenue Bonds to finance the projects, such bonds will be paid from the payments in lieu of taxes generated in the respective tax increment areas and are not anticipated to affect the City's General Fund:

TIFs	Estimated TIF Costs	TIF Area Approved
St. Louis Marketplace (Scullin) ⁽¹⁾	\$ 15,000,000	07/20/1990
Cupples ⁽³⁾	52,200,000	03/08/1991
4548 West Pine ⁽³⁾	300,000	12/22/1997
Argyle ⁽⁴⁾	3,000,000	12/11/1998
Chouteau/Compton ⁽³⁾	3,600,000	12/17/1998
Center for Emerging Technology ⁽³⁾	1,493,000	09/24/1999
Edison Brothers ⁽⁷⁾	5,459,000	01/29/2000
Robert E. Lee ⁽³⁾	600,000	01/29/2000
100 North Condominium LLC ⁽³⁾	400,000	02/09/2000
Convention Center Hotel ⁽⁵⁾	50,000,000	04/17/2000
3800 Park ⁽³⁾	390,000	08/01/2001
Gravois Plaza ⁽³⁾	4,049,000	11/30/2001
4100 Forest Park ⁽²⁾	7,000,000	12/20/2001
Lafayette Square ⁽⁶⁾	2,040,250	12/26/2001
Tech Electronics ⁽³⁾	900,000	02/21/2002
MLK Development ⁽⁷⁾	2,250,000	03/18/2002
4200 Laclede ⁽²⁾	925,400	06/20/2002
Post Office Square TIF ⁽²⁾	6,655,220	07/23/2002
1505 Missouri ⁽²⁾	621,100	08/05/2002
Grand Center ⁽²⁾	80,000,000	02/02/2002
1141-1151 S. Seventh St. ⁽²⁾	1,136,800	12/10/2002
Paul Brown/Arcade ⁽²⁾	3,264,200	12/10/2002
1100 Locust – Louderman building ⁽²⁾	2,444,400	12/21/2002
920 Olive/1000 Locust ⁽²⁾	2,667,732	12/21/2002
Walter Knoll Florist ⁽²⁾	1,036,000	12/21/2002
Grace Lofts ⁽²⁾	1,550,000	02/25/2003
Terra Cotta Annex ⁽²⁾	3,500,000	04/25/2003
1312 Washington Avenue ⁽²⁾	500,000	04/25/2003
Southtown Redevelopment ⁽²⁾	7,500,000	07/23/2003
2500 S. 18 th Street ⁽²⁾	550,000	07/23/2003
Soulard Apartments ⁽³⁾	4,800,000	07/23/2003
Printer Lofts ⁽²⁾	3,880,000	07/23/2003
City Hospital RPA1 ⁽²⁾	5,000,000	07/23/2003
Fashion Square ⁽²⁾	3,700,000	07/23/2003
1601 Washington Avenue ⁽²⁾	3,000,000	07/23/2003
1619 Washington Avenue ⁽²⁾	1,583,379	03/10/2004
Highlands at Forest Park ⁽²⁾	2,400,000	03/21/2004
Security Building ⁽²⁾	3,000,000	03/10/2004
Catlin Townhomes ⁽²⁾	415,000	03/30/2004
Shenandoah Place ⁽²⁾	231,540	03/30/2004
1133 Washington Avenue ⁽³⁾	1,100,000	08/02/2004
410 Jefferson ⁽³⁾	1,525,000	08/02/2004
Barton Lofts ⁽²⁾	370,000	08/02/2004
Warehouse of Fixtures ⁽²⁾	6,100,000	08/02/2004
Maryland Plaza South ⁽²⁾	5,367,052	08/05/2004
Maryland Plaza North ⁽²⁾	1,033,418	08/05/2004
Adler Loft Condominiums ⁽²⁾	1,300,000	12/06/2004
Marquette Building ⁽²⁾	3,600,000	12/22/2004
Gaslight Square East ⁽²⁾	1,500,000	12/22/2004

1136 Washington Avenue ⁽²⁾	3,650,000	12/22/2004
Washington East Condominiums ⁽²⁾	1,400,000	12/22/2004
Bottle District ⁽²⁾	41,900,000	12/22/2004
Automobile Row I ⁽²⁾	1,800,000	12/22/2004
Automobile Row II ⁽²⁾	3,000,000	12/22/2004
1300 Convention ⁽²⁾	925,000	01/03/2005
Mississippi Place ⁽²⁾	825,000	01/03/2005
Loughborough Commons ⁽²⁾	11,000,000	02/28/2005
5700 Arsenal ⁽²⁾	1,340,000	02/28/2005
Dogtown Walk II ⁽²⁾	415,000	02/28/2005
East Bank Lofts ⁽²⁾	1,414,000	02/28/2005
The Pet Building ⁽²⁾	3,300,000	04/19/2005

⁽¹⁾ Financed by the City's Tax Increment Revenue Bonds.

⁽²⁾ Not yet financed.

⁽³⁾ Financed by developer held notes.

⁽⁴⁾ Financed by parking revenue bonds with the Tax Increment Revenue Bonds to supplement repayment in the event surplus operating revenues fall short.

⁽⁵⁾ Financed by Section 108 Loan from Department of Housing and Urban Development, with Community Development Block Grant Funds and Contractual PILOTS received from the Hotel Developer.

⁽⁶⁾ "Pay as you go" TIF.

⁽⁷⁾ Financed by IDA Tax Increment Revenue Bonds.

Source: City Comptroller's Office

Short-Term Borrowing

The City first issued Tax and Revenue Anticipation Notes ("TRANS") during the Fiscal Year 1984. The following table sets forth certain information concerning the issuance of TRANS since Fiscal Year 2001.

Fiscal Year	TRANS Issued During Fiscal Year	As a Percent of General Fund Revenues ¹
2001	\$ 42,000,000	10.59%
2002	43,000,000	10.93%
2003	46,000,000	11.67%
2004	50,000,000	12.83%
2005	47,000,000	11.85% ²

¹ The percentage is based on cash, rather than modified accrual revenues. Revenue also includes transfers from other funds.

² Based on estimated General Fund Revenues.

Source: City Comptroller's Office.

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Outstanding Debt

The following table sets forth the principal amount of all bonds, other than the above mentioned Tax Increment Financing obligations, issued by the City which will be outstanding after the refunding of a portion of the Series 1999 Bonds on June 16, 2005:

Bonds	Amount Outstanding
General Obligation Bonds	\$ 48,464,742
Water Revenue Bonds	34,320,000
Parking Revenue Bonds	66,264,000
Airport Revenue Bonds	<u>894,735,000</u>
Total	\$ <u>1,043,783,742</u>

Source: City Comptroller's Office.

Capital Leases

The City has outstanding a number of lease-purchase agreements which can be characterized as capital leases. The major agreements of this type are listed below:

Description	Amount Outstanding April 30, 2005	Remaining Term in Years	Issue Date
Convention and Sports Facility Project and Refunding Bonds (includes Preservation Payments)	\$ 70,481,000	17	Feb. 1997
Convention Center 1993A	2,567,205	9	June 1993
Convention Center Leasehold Refunding Series 2003	111,510,000	9	Apr. 2003
Police Board Lease 2003	4,435,000	3	Feb. 2003
Justice Center Series 1996A	6,910,000	3	Aug. 1996
Justice Center Series 1996B	20,225,000	8	Aug. 1996
Justice Center Leasehold Improvement Bonds Series 2000A	18,455,000	15	Feb. 2000
Justice Center Leasehold Revenue Bonds, Series 2001A	62,205,000	15	Sept. 2001
Civil Courts Revenue Refunding 2003A	20,465,000	8	May 2003
Forest Park Revenue Improvements	16,400,000	17	Mar. 1997
Kiel Site Rev Refunding Series 1997A	6,370,000	15	Aug. 1997
Kiel Site Rev Refunding Series 1997B	4,645,000	12	Aug. 1997
Firemen's Retirement System 1998	15,415,000	6	Apr. 1998
Carnahan Courthouse 2002	21,750,000	22	Apr. 2002
Rolling Stock 2004	<u>7,593,705</u>	13	July 2004
	\$ <u>389,426,910</u>		

¹ This pertains to the lease financing by the City, St. Louis County, and the State of Missouri, of an east expansion of the Convention Center. The bonds for the east expansion were issued by the Regional Convention and Sports Complex Authority, an entity created by State law. In addition to lease payments to pay debt service on the bonds, the City has agreed to pay the Authority \$1,000,000 per annum during the term of the bonds to pay for renovations and repairs to the facility.

² Refinanced in September 2001.

³ Refinanced Police Board Lease, Series 1994.

⁴ Refinanced April 2003.

Source: City Comptroller's Office.

Direct and Overlapping Debt

The direct and overlapping general obligation debt of the City after the refunding of a portion of the Series 1999 Bonds on June 16, 2005 is set forth below:

	General Obligation Bonds Outstanding	Percent Applicable to St. Louis	City's Direct and Overlapping Debt
The City of St. Louis	\$ 48,464,742	100.00%	\$ 48,464,742
Board of Education of the City of St. Louis	<u>203,920,051</u>	100.00%	<u>203,920,051</u>
Total	\$ <u>252,384,793</u>		\$ <u>252,384,793</u>

Source: City Comptroller's Office

Debt Ratios

The following table sets forth the City's direct and overlapping general obligation debt ratios as of June 16, 2005. These figures do not include lease agreements.

	Amount	Per Capita¹	Ratio to Assessed Value
Total Direct Debt	\$ 48,464,742	\$ 139.19	1.44%
Total Direct and Overlapping Debt	\$ 252,384,793	\$ 724.85	7.50%

¹ Based on Population from U.S. Census, 2000 (348,189).
Source: City Comptroller's Office.

Legal Debt Margin

The following table sets forth the City's Legal Debt Margin as of June 16, 2005:

	City Purposes Basic Limit	Streets and Sewers Additional Limit
2004 Assessed Value	\$ 3,365,725,220	\$ 3,365,725,220
Debt limit - 10% of assessed value	336,572,522	336,572,522
Less: General Obligation Bonds	<u>48,464,742</u>	<u>--</u>
Legal Debt Margin	\$ <u>288,107,780</u>	\$ <u>336,572,522</u>

Source: City Comptroller's Office

LITIGATION

Litigation Affecting the City

No litigation, investigation or proceeding is now pending or, to the knowledge of the City, threatened, against the City which would in any manner challenge or adversely affect the corporate existence or powers of the City to enter into and carry out the transactions described in or contemplated by the execution, delivery, validity or performance of the City of the Bond Ordinance. Further, no litigation, investigation or proceeding is now pending or, to the knowledge of the City, threatened, against

the City, its officers or property, except litigation, investigations or proceedings being defended by or on behalf of the City in which the probably ultimate recoveries and ultimate costs and expenses of defense which, in the opinion of the City Counselor, will not have a material adverse effect on the operations or condition, financial or otherwise, of the City, and excepting the following litigation cases:

Willard Owens v. City of St. Louis, U.S. Dist. Ct. No. 4:03CV00052 RWS. Plaintiff claims to be the owner of property on which a school building had been located. Plaintiff had plans to turn the building into a charter school and claims to have had an agreement with the State for this purpose. The City issued a condemnation notice which was appealed to the Board of Building Appeals. The Board upheld the Order but allowed the owner to secure the property and begin construction to avoid demolition. Plaintiff contends that he did so, but the City tore the building down without providing any additional notice. Plaintiff seeks damages in the amount of \$9 million. The probability of an adverse result is not likely, but possible. The amount of such an adverse result should be much less than the plaintiff seeks, but perhaps as much as \$50,000.

Firemen's Retirement System v. City of St. Louis, Francis Slay, James Shrewsbury and Darlene Green, City of St. Louis Circuit Court, Cause No. 034-0266. Plaintiff claims that the Board of Estimate and Apportionment of the City of St. Louis did not recommend the appropriation for the Retirement System certified by Plaintiff, by and through its actuaries, for the Fiscal Year 2004 City Budget, which amount Plaintiff claims is binding under City ordinance. The difference between the amount recommended by the Board of Estimate and Apportionment and the amount certified by Plaintiff is \$7 million. Both the Retirement System and the City Defendants have filed Motions for Summary Judgment which have been taken under submission by the Circuit Court, but not yet ruled on.

Police Retirement System v. City of St. Louis, Francis Slay, James Shrewsbury, and Darlene Green, City of St. Louis Circuit Court, Cause No. 034-02186. Plaintiff claims that the Board of Estimate and Apportionment of the City of St. Louis did not recommend the appropriation for the Retirement System certified by Plaintiff, by and through its actuaries, for the Fiscal Year 2004 City Budget, which amount Plaintiff claims is binding under state statute. The difference between the amount recommended by the Board of Estimate and Apportionment and the amount certified by Plaintiff is \$5.3 million. While an adverse judgment is possible, it is not reasonably likely. The amount of such an adverse result could be substantially less than \$5.3 million. Both the Retirement System and the City Defendants have filed Motions for Summary Judgment which have been taken under submission by the Circuit Court, but not yet ruled on.

The City is a defendant in *Families for Asbestos Compliance, Testing And Safety v. The City of St. Louis, Missouri and City of St. Louis Airport Authority*, pending in the United States District Court for the Eastern District of Missouri (Civil Action No. 5 CV00719CJ). This law suit, filed May 5, 2005, by a not-for-profit-group alleges that the City, the owner and operator of Lambert-St. Louis International Airport ("Airport"), violated the Clean Air Act ("CAA") and the Resource Conservation and Recovery Act ("RCRA") when it performed "wet demolition" of approximately 300 residential structures under the Airport's W-1W Expansion Program. Plaintiff seeks injunctive and declaratory relief as well as civil penalties and recovery of its costs. The City believes that the suit is without merit and intends to vigorously defend the matter.

CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS

The Bonds are subject to certain investment considerations and risk factors, and the discussion below should be reviewed in evaluating the City's responsibility to pay the principal of, redemption premium, if any, and interest on the Bonds. This discussion of these considerations and risk factors is not intended to be exhaustive.

Early Redemption

For the circumstances in which the Bonds are subject to redemption, see the caption “**DESCRIPTION OF THE BONDS – Redemption of Bonds**” herein.

Insolvency of Credit Facility Provider

The obligations of the Credit Facility Provider under the financial guaranty insurance policy are general obligations of the Credit Facility Provider and rank equally in priority of payment and in all other respects with all other unsecured obligations of the Credit Facility Provider. In the event of the inability or refusal of the Credit Facility Provider to honor the financial guaranty insurance policy or the insolvency of the Credit Facility Provider, each Bondholder would have to depend entirely on the ability of the City to pay the principal of and interest on the Bonds, excluding redemption premium, if any. No property of the City is encumbered as security for payment of the Bonds.

Remedies May be Unenforceable

Remedies provided for in the Bond Ordinance may be unenforceable as a result of the application of principles of equity or of state or federal laws relating to bankruptcy, other forms of debtor relief, and creditors’ rights generally. Furthermore, it is not certain whether a court would permit the exercise of the remedies of repossession and sale or leasing with respect thereto. The enforcement of any remedies provided in the Bond Ordinance could prove both expensive and time consuming.

FINANCIAL STATEMENTS

The audited basic financial statements of the City and the related report of the City’s independent certified public accountants for the fiscal year ended June 30, 2004, are included in **APPENDIX B** hereto. The City’s independent public accountants have not completed an audit of any financial statements of the City for any period subsequent to June 30, 2004, and have not conducted any procedures with respect to the fiscal 2004 financial statements subsequent to their audit.

RATINGS

Moody’s Investors Services, Inc. (“**Moody’s**”) and Standard & Poor’s Ratings Services (“**S&P**”), a division of The McGraw-Hill Companies, Inc. have assigned ratings of “Aaa” and “AAA,” respectively, to the Bonds, with the understanding that upon delivery of the Bonds, a financial guaranty insurance policy will be issued by the Credit Facility Provider. No application has been made to any other rating agency in order to obtain additional ratings on the Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody’s Investors Service, Inc., 99 Church Street, New York, New York 10007, and Standard & Poor’s Ratings Services, 25 Broadway, New York, New York 10004. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The underwriters listed on the cover page hereof (the “**Underwriters**”) have jointly and severally agreed, subject to certain conditions precedent to closing, to purchase all, but not less than all, of the Bonds from the City at an aggregate purchase price of \$39,918,239.85 (which represents the aggregate principal amount of the Bonds, less original issue discount of \$29,315.15, plus original issue premium of \$2,645,177.50, less an underwriters’ discount of \$252,622.50). The Underwriters will be obligated to

purchase all such Bonds if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including underwriters and other dealers depositing such Bonds into investment trusts) at prices or yields lower than the public offering prices or yields and such public offering prices or yields may be changed, from time to time, by the Underwriters.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale by the City of the Bonds and with regard to the tax-exempt status of the Bonds are subject to the approving opinions of King Hershey, PC, Kansas City, Missouri, and The Stolar Partnership, LLP, St. Louis, Missouri, Co-Bond Counsel. Copies of such opinions in the form set forth in “**APPENDIX C – FORM OF CO-BOND COUNSEL OPINIONS**” will be available at the time of the delivery of the Bonds.

Certain legal matters will be passed upon by the City Counselor for the City. Certain legal matters will be passed upon by Bryan Cave LLP, St. Louis, Missouri, and Gallop, Johnson & Neuman, L.C., St. Louis, Missouri, co-counsel to the Underwriters.

FINANCIAL ADVISOR

P.G. Corbin & Company, Inc. (“P.G. Corbin”) has been retained by the City as financial advisor to render certain professional services. As such, P.G. Corbin has provided advice on the plan of financing and structure of the Bonds and reviewed certain legal and disclosure documents, including this Official Statement, for financial matters. The information set forth herein has been obtained from the City and other sources which are believed to be reliable. P.G. Corbin has not independently verified the factual information contained in the Official Statement, but relied on the information supplied by the City and other sources and the City’s certificate as to the Official Statement and the diligence and accuracy of the City, which has certified that it contains no material misstatement or omission of information.

INVESTMENT ADVISOR

Columbia Capital Management LLC (“**Columbia Capital**”) serves as an investment advisor to the Treasurer of the City. Columbia Capital assisted in the planning, investment and allocation of certain accounts authorized by the Bond Ordinance. Columbia Capital also provided other advice related to the investment of proceeds of the Bonds and funds invested in connection therewith. Columbia Capital has not participated in the preparation, drafting or review of this Official Statement.

TAX EXEMPTION

Opinion Of Co-Bond Counsel

Federal Tax Exemption. The opinions of King Hershey, PC and The Stolar Partnership, LLP, Co-Bond Counsel, to be delivered upon the issuance of the Bonds will state that under existing law, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions of Co-Bond Counsel will be subject to the condition that the City has complied and will continue to comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Code**”) that must be satisfied prior or subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and, in addition, will rely on representations by the City and others, with respect to matters solely within its knowledge, which Co-Bond Counsel has not independently verified. The City has covenanted to, at all

times while the Bonds are Outstanding, comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Furthermore, the Bonds are not “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code (relating to financial institution deductibility of interest expense).

Original Issue Discount. In the Opinion of Co-Bond Counsel, subject to the conditions set forth above, the original issue discount in the selling price of any Bond sold in the initial offering to the public at a price less than the par amount thereof (hereinafter referred to as the “OID Bonds”), to the extent properly allocable to each owner of such Bond, is excludable from gross income for federal income tax purposes with respect to such owner. Original issue discount is the excess of the stated redemption price at maturity of an OID Bond over the initial offering price to the public (excluding Underwriters and intermediaries) at which price a substantial amount of the OID Bonds were sold. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. For an owner who acquires an OID Bond in this offering, the amount of original issue discount that accrues during any accrual period generally equals: (1) the issue price of such OID Bond plus the amount of original issue discount accrued in all prior accrual periods; multiplied by (2) the yield to maturity on such OID Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period); less (3) any interest payable on such OID Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner’s tax basis in such OID Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of an OID Bond would be treated as gain from the sale or exchange of such Bond. Owners of OID Bonds should consult with their individual tax advisors to determine whether the application of the original issue discount rules and regulations for federal tax purposes require inclusion for state and local income tax purposes of an amount of interest on the OID Bonds as income even though no corresponding cash interest payment is actually received during the tax year.

Original Premium Issue Bonds. Some or all of the Bonds maturing February 15, 2010, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 were offered at a price in excess of the principal amount thereof. Under the Code, the excess of the cost basis of a bond over the principal amount of the bond (other than for a Bondholder who holds a bond as inventory, stock in trade, or for sale to customers in the ordinary course of business) is generally characterized as “bond premium.” For federal income tax purposes, bond premium is amortized over the term of the Bonds. A holder of a Bond will therefore be required to decrease such Bondholder’s basis in that Bond by the amount of amortizable bond premium attributable to each taxable year such Bondholder holds such Bond. The amount of amortizable bond premium attributable to each taxable year is determinable on an accrual basis at a constant interest rate compounded on each interest payment date. The bond premium is not deductible for federal income tax purposes. Owners of the Bonds should consult their own tax advisors with respect to the precise determination for federal, state and local income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of such Bond.

Missouri Tax Exemption. The interest on the Bonds is not subject to income taxation by the State of Missouri.

No Other Opinions. Co-Bond Counsel express no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds.

Other Tax Consequences

Prospective purchasers of the Bonds should be aware that there may be tax consequences of purchasing the Bonds other than those discussed under the caption “**TAX EXEMPTION - Opinion of Co-Bond Counsel**,” including the following:

- (1) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of such institution’s interest expense allocable to interest on the Bonds;
- (2) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by a specified percentage of the sum of certain items, including interest on the Bonds;
- (3) interest on the Bonds earned by foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code;
- (4) excess net passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year; and
- (5) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Bonds.

Co-Bond Counsel express no opinion regarding these tax consequences. Purchasers of Bonds should consult their own tax advisors as to the applicability of these tax consequences.

Prospective purchasers of the Bonds should also be aware that proposed legislation is from time to time considered by the United States Congress that, if enacted, may adversely affect the federal tax consequences of ownership or disposition of, and, whether or not enacted, may adversely affect the value of, tax-exempt obligations such as the Bonds.

Co-Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Co-Bond Counsel’s knowledge of facts as of the date thereof. Co-Bond Counsel assume no duty to update or supplement their opinions to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Co-Bond Counsel express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

VERIFICATION OF MATHEMATICAL AND ARITHMETICAL CALCULATIONS

The Verification Agent will deliver to the City, on or before the settlement date of the Bonds, its report indicating that it has examined the information and assertions provided by the City and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of (a) the computations of the adequacy of the cash, the maturing principal of and interest on the Defeasance Securities deposited with the Escrow Agent for the Refunded Bonds to pay, when due, the maturing principal, interest and redemption premium on the Refunded Bonds on or prior to their respective redemption dates as described in “**PLAN OF FINANCING – The Refunding Plan – Refinancing Plan**” and (b) the computations supporting the conclusion of Co-Bond Counsel that the Bonds are not “arbitrage bonds” under the Code and the regulations promulgated thereunder. Such

verification of arithmetical accuracy and mathematical computations shall be based upon information and assumptions supplied by the City and on interpretations of the Code, provided by Co-Bond Counsel.

CERTAIN RELATIONSHIPS

Bryan Cave LLP, St. Louis, Missouri, and Gallop, Johnson & Neuman, L.C., St. Louis, Missouri, are serving as co-counsel to the Underwriters and have represented the Underwriters in connection with the issuance of the Bonds. Bryan Cave LLP, St. Louis, Missouri, and Gallop, Johnson & Neuman, L.C., St. Louis, Missouri, each also represent the City from time to time on other transactions or matters. In addition, King Hershey, PC, Kansas City, Missouri, and The Stolar Partnership, LLP, St. Louis, Missouri, are serving as Co-Bond Counsel with respect to the issuance of the Bonds, and each also represent the City and certain of the Underwriters from time to time on other transactions or matters.

CONTINUING DISCLOSURE

The City and the Trustee, as Disseminating Agent, have entered into a Continuing Disclosure Agreement, dated as of June 1, 2005 (the “Disclosure Agreement”), pursuant to which the City has covenanted for the benefit of holders and beneficial owners of the Bonds to provide (i) audited financial statements of the City and certain statistical data relating to the City by not later than two hundred ten (210) days following the end of the City’s Fiscal Year (which currently ends on June 30 each year) (the “**Annual Report**”), commencing with the report for the 2005 Fiscal Year, and (ii) notice of the occurrence of certain enumerated events, if material. The statistical data will consist of updates as of the end of the fiscal year of the financial information and operating data contained in the following described sections of this Official Statement: “**FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS OF THE CITY – General Revenue Fund**” “**—General Revenue Fund Expenditures**” and “**—General Revenue Fund Receipts**”; “**TAXATION AFFECTING THE CITY – Earnings Tax**”, “**—Franchise Tax**”, “**—Sales Tax**”, “**—Gross Receipts Tax**”, “**—Motor Vehicle Sales Tax**”, “**—Motor Fuel Tax**”, “**—Real and Personal Property Taxes**”, “**—Payroll Tax**”, “**—Other Taxes**”, “**—License Fees**”, “**—Departmental Receipts**”, “**—Operating Transfers**” and “**—Major Taxpayers**”; “**CITY’S INSURANCE**” and “**DEBT OF THE CITY**” and in “**Appendix A – ECONOMIC AND DEMOGRAPHIC DATA – Population and Other Statistics**”, “**—Employment**”, “**—Major Employers**”, “**—Economic Development**”, and “**Building and Construction Data**”, and “**—RETIREMENT SYSTEMS**”.

The Annual Report will be filed by or on behalf of the City with each Nationally Recognized Municipal Securities Information Repository and with the Bond Insurer as long as the Bond Insurance Policy is in effect. The notices of material events will be filed by or on behalf of the City with each nationally recognized municipal securities information repository or the Municipal Securities Rulemaking Board and the state repository, if any. These covenants have been made in order to assist the Underwriters in complying with the SEC Rule 15c2-12(b)(5) (the “**Rule**”). The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

If characterized as an “Obligated Person” under the Rule, certain information reporting requirements must be satisfied with respect to such entity. The City acknowledges that the City is the only “Obligated Person” with responsibility for continuing disclosure.

Pursuant to the Disclosure Agreement, the City agrees for the benefit of holders of the Bonds to provide notice of the occurrence of any of the events listed below, if such event would constitute material information for holders of the Bonds. The City’s obligations under the Disclosure Agreement terminate upon the defeasance or payment in full of the Bonds. Notice of listed events in subsections (4) and (5) need not be given any earlier than the notice (if any) that is required to be given to holders of affected Bonds pursuant to the Ordinance.

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Modifications to rights of Bondholders;
4. Optional, contingent or unscheduled Bond calls;
5. Defeasances;
6. Rating changes;
7. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
8. Unscheduled draws on the debt service reserves reflecting financial difficulties (none currently exists);
9. Unscheduled draws on the credit enhancements reflecting financial difficulties (none currently exists);
10. Substitution of the credit or liquidity providers or their failure to perform (none currently exists); or
11. Release, substitution or sale of property securing payment of the Bonds.

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Disclosure Agreement, any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under the Disclosure Agreement. A default under the Disclosure Agreement shall not be deemed an event of default under the Bond Ordinance or the Bonds, and the sole remedy under the Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Disclosure Agreement shall be an action to compel performance.

CERTIFICATION OF OFFICIAL STATEMENT

Simultaneously with the delivery of the Bonds, the City will furnish to the Underwriters a certificate which shall state that, to the best of the signator's knowledge and belief, this Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between or among the City and the purchasers or holders of any of the Bonds. Any statement made in this Official Statement involving matters of opinion herein is subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, or its agencies and authorities, or the Credit Facility Provider since the date hereof. This Official Statement, its execution, and its delivery to and distribution by the Underwriters to prospective purchasers of the Bonds, have been duly approved and authorized by the City.

THE CITY OF ST. LOUIS, MISSOURI

By: /s/Francis G. Slay
Francis G. Slay, Mayor

By: /s/Darlene Green
Darlene Green, Comptroller

APPENDIX A

**ADDITIONAL INFORMATION REGARDING
THE CITY OF ST. LOUIS**

APPENDIX A

ADDITIONAL INFORMATION REGARDING THE CITY OF ST. LOUIS

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APPENDIX A

ADDITIONAL INFORMATION REGARDING THE CITY OF ST. LOUIS

The information contained in this Appendix relates to and has been obtained from The City of St. Louis, Missouri (the “City”). The delivery of this Official Statement will not create any implication that there has been no change in the affairs of the City since the date hereof or that the information contained or incorporated by reference in this Appendix is correct as of any time subsequent to its date.

ECONOMIC AND DEMOGRAPHIC DATA

Population and Other Statistics

The City is a part of the St. Louis Consolidated Standard Metropolitan Statistical Area (the “Metropolitan Area”) consisting of the City and Franklin, Jefferson, Lincoln, St. Charles, St. Louis and Warren Counties in Missouri and Clinton, Jersey, Madison, Monroe and St. Clair Counties in Illinois. The Metropolitan Area, covering 6,375 square miles in the States of Missouri and Illinois, is the 18th largest metropolitan area in the United States. During the past 35 years, there has been a strong population growth in the outermost counties surrounding the City. At the same time, the City has experienced a substantial population loss. The following table sets forth population statistics for the Metropolitan Area for the indicated calendar years:

Calendar Year	City of St. Louis	Metropolitan Area
2000	348,189	2,603,594
2001	347,954	2,624,813
2002	347,252	2,640,166
2003	348,039	2,657,837
2004**	343,279	2,667,862

Source: U.S. Bureau of Census, Missouri Department of Economic Development.

** Estimates of population since 2000 have been confusing because the Census Bureau has used an Administrative Records methodology (births, deaths, domestic migration and international migration) whereas the City has used a Housing Unit methodology (net increase in units times the occupancy rate and household size as of 2000). Using this approach, the City successfully challenged the Bureau’s 2003 estimate. It is anticipated that the Bureau’s 2004 estimate will be challenged as well.

St. Louis employers have approximately 97,000 employees working downtown. It is the office center in a region of approximately 2.7 million residents with 24 million square feet of office space. The St. Louis region ranks as the nation’s fourteenth largest corporate headquarters market with nine Fortune 500 corporations in 2005. Twelve additional St. Louis companies ranked between 501 and 1,000. Three St. Louis area companies were ranked in *Fortune Magazine’s* list of 100 fastest growing companies in 2004.

According to the St. Louis Convention and Visitors Commission (“CVC”), the City ranks among the top 25 markets nationwide for hotel room inventory. Each year an estimated 16.7 million visitors come to St. Louis for conventions, meetings, business and leisure travel. Those visitors spend \$3.8 billion in the area on lodging, meals, sightseeing, local transportation, shopping, admissions and a variety of goods and services. St. Louis’ visitors annually generate \$77.4 million in local taxes and \$263.5 million in State taxes.

The hospitality industry in St. Louis employs 76,000 area residents who make \$1.9 billion in wages. Downtown St. Louis has 22 hotels within a mile of the America's Center convention complex. Those hotels offer 7,600 sleeping rooms, an increase of more than 2,200 downtown rooms in the past three years.

The newest hotels downtown are all renovations of historic structures, including the Renaissance Grand and the Renaissance Suites, the Hilton, the Sheraton City Center, the Drury Plaza and the Westin. Existing hotels, including the Marriott St. Louis, Adam's Mark, Hyatt Regency, Millennium, Roberts Mayfair and others, have performed extensive renovations to their properties.

In 2004, 359 CVC-booked convention and meeting groups used 410,227 hotel room nights in City and County hotels. Approximately 450,000 room nights are projected to be used by CVC-booked convention and meeting groups in 2005. A concerted effort will be made to increase that number.

The City ranks as the third largest inland port in the United States handling more than 32 million tons of freight each year. Lambert-St. Louis International Airport, owned and operated by the City, had approximately 283,647 (arrivals and departures) commercial aircraft operations at the Airport and approximately 13.4 million enplaned and deplaned passengers passing through at the Airport in 2004. On average, there were 756 daily departures and arrivals. The Airport has 83 gates serving 10 major airlines. The Airport is completing a \$1.1 billion multi-year expansion program. This expansion will add a third parallel runway, improving capacity in all weather conditions. American Airlines ("American") remains the Airport's primary air carrier.

MidAmerica Airport ("**MidAmerica**"), a joint-use facility with Scott Air Force Base, is located in Illinois approximately 25 miles from downtown St. Louis. MidAmerica opened in November, 1997, and serves as the Metropolitan Area's cargo, corporate aircraft, and reliever airport. MidAmerica is a \$210 million first-class metropolitan airport, the construction of which began in 1992. With the exception of certain overseas flights that require a longer runway for take-offs, MidAmerica's 10,000 foot runway can accommodate all types of aircraft in use today. MidAmerica is expected to enhance the Metropolitan Area's presence as one of the nation's premiere transportation centers. The Bi-State Development Agency, which operates the MetroLink system, has extended the MetroLink line to Southwestern Illinois College and another 8.9 miles to reach MidAmerica.

St. Louis is also home to three major professional sports teams, the St. Louis Rams, the St. Louis Blues, and the St. Louis Cardinals. In addition to being successful on the field, the three teams also contribute to the economy of the St. Louis metropolitan area. The economic impact of these teams comes from ticket sales, dollars spent on concessions and merchandise, and money spent at local restaurants and hotels. St. Louis recently hosted the 2004 Central Division Playoffs, National League Championships and two (2) games of the World Series. The financial impact from the Cardinals Baseball Team Post Season was \$1.9 million to the City. The three teams have an additional economic impact in the increased national media attention and recognition they create for St. Louis. St. Louis has also achieved great success as an outstanding event host city. In 2005 the region hosted the Men's NCAA Final Four that generated \$62.1 million in economic impact. St. Louis has hosted three of the past five NCAA Wrestling Championships at the Savvis Center. It will host the U.S. Figure Skating Championships in 2006; the NCAA Frozen Four hockey finals in 2007; and the Women's Basketball Final Four in 2009. Among its teams, fantastic fan support, and accomplishments as an event host market, St. Louis is regarded as one of America's Best Sports cities.

Following a groundbreaking ceremony in January of 2004, the construction of a new baseball stadium in downtown St. Louis is well underway just south of the existing Busch Stadium as part of a \$600 million downtown development project. The 2005 baseball season is the final season at Busch

Stadium and is receiving heavy promotion from the Cardinals baseball club as the last chance to experience this element of baseball history – this heavy promotion, coupled with the Cardinals’ exceptional record in the first part of the 2005 season, is expected to result in heavy attendance at virtually all of the 80+ games this summer.

Heavy attendance is also expected in the 2006 season, which will be the first year of the new ballpark’s operation. The new ballpark will hold more than 46,000 baseball fans.

Financing for the new ballpark was completed in December, 2003. The new ballpark development is expected to cost nearly \$400 million, the majority of which (\$290 million) is financed with taxable bonds issued by the ball club and repaid by the ball club and Cardinals’ equity, Missouri tax credit proceeds, a loan from St. Louis County, and funding from the Missouri Department of Transportation. As an inducement for the Cardinals to proceed with the development, the City, by Ordinance 65669, has agreed to waive the 5% amusement tax on ticket sales for games played in the new ballpark if the amount of private investment in the project exceeds \$200,000,000. Ticket and concession sales will continue to generate City and state sales taxes, and the team and visiting teams will continue to pay City earnings and payroll taxes. In 2005, at \$92 million, the Cardinals have the 6th largest team payroll in major league baseball.

The existing Busch Stadium will be demolished following the end of the 2005 season, setting the stage for the completion of the new ballpark and the commencement of the Ballpark Village development. Ballpark Village is a 6-block development that will occupy the northern half of the site of old stadium. Development of the Village is expected to cost a minimum of \$250 million, and is expected to include office, retail and entertainment space, as well as upscale residences for die-hard baseball fans and others. The first two blocks of the Village are expected to be completed in 2008.

As reflected in the discussion below of anticipated capital improvements projects and recently completed projects, manufacturers, retail businesses, service providers, restaurants and other companies are locating within the City or expanding their current facilities. This also includes expansion in the areas of new homes, lofts, and growth in historic neighborhoods. See “—**Economic Development**” below.

Quality of life in the City has also been positively impacted. The US Conference of Mayors honored the City a “Quality of Life Award” to recognize the City’s programs. In addition, violent crime rates have been decreasing in the City.

Employment

The Metropolitan Area and the City are major industrial centers in the Eastern Missouri Southwestern Illinois area with a broad range of manufacturing enterprises. According to information provided by the Missouri Division of Employment Security, the 2004 annual average of manufacturing jobs represented 10.4% or 150,600 of the total 1,453,566 non-agricultural jobs in the Metropolitan Area. The Metropolitan Area’s major industries include aviation, biotechnology, chemicals, electrical utilities, food and beverage manufacturing, refining, research, telecommunications, and transportation.

The following table reflects the City’s annual average employment by industry group in 2004.

CITY EMPLOYMENT BY INDUSTRY GROUP
(TOTAL NON FARM)

Industry Group	Employees	Percentage
Manufacturing	24,644	11.0%
Services	114,504	51.2
Government	36,603	16.4
Retail Trade	9,608	4.3
Transportation and Public Utility	8,406	3.7
Finance, Insurance and Real Estate	12,053	5.4
Wholesale Trade	10,119	4.5
Construction and Mining	<u>7,832</u>	<u>3.5</u>
Total	<u>223,769</u>	<u>100.0%</u>

Source: Missouri Department of Economic Development. ES-202 Report of Employment & Wages.

There were 223,769 total non-farm jobs within the City in 2004 representing 15.4% of the region's job base. The City has remained a significant source of employment for the region. Job growth in the City has been concentrated in the service sector since the City is growing as a service center and anticipates strong, long-term employment growth in the areas of medical, business and recreational services, as well as in education, and the tourism and convention business.

The Business Development Division of the St. Louis Development Corporation administers a number of different kinds of loans, working in conjunction with the Local Development Corporation. Most transactions are loans made using CDBG funds. A few EDA loans are made and some, involving no direct financial support, are Department of Commerce SBA loans. In the course of a year, there are also a few forgivable and soft loans, and grants. During 2004 approximately \$2.7 million in loans leveraged around \$16 million in City investment. Approximately 343 jobs were created. Loans that were closed during 2004 included:

- United Fruit and Produce decided to expand its operations in the City's Produce Row area. A loan for \$45,000 leveraged a total expansion project cost over \$500,000. The business will retain over 400 jobs in the City and will add 30 new employees over the next two years.
- Funds were allocated to support the business expansion in the downtown area. The businesses assisted by a Downtown Retail Loan Program in 2004 were 10th Street Italian Restaurant, Red Moon (restaurant), City Grocer Inc., Ambiente (furniture), Uma (gift shop), Lee J's (retail clothier), Light Inc. (furniture), Baseline Workshop (furniture and gallery), and Kenary Park Florist and Gifts. These businesses contributed significantly to the revitalization of the area. Approximately \$280,000 in loans leveraged \$4 million in private investment. These establishments not only provide services and goods that are needed in the area, but are expected to produce over 100 jobs in the next few years.
- St. Louis Fitness Club, a partially woman-owned business, expanded and purchased a complex in the south City area. The new location will provide space for their business and additional tenants. The project was approximately a \$1 million purchase and renovation. An EDA loan for \$150,000 leveraged over \$800,000 in private investment. It will add 15 new jobs to the company's payroll.

- St. Louis Enterprise Center is an incubator for small emerging businesses. They offer counseling, mentoring and technical services to a variety of small firms. Funds are being used to assist with the renovation and upgrading of their facility to better suit the needs of the client companies.
- The Nooter Construction Company has undertaken a \$5.7 million project to expand their business facility at its current location in the City rather than move operations to another site. A loan of \$50,000 to assist with infrastructure necessary to support an additional building has not only leveraged a large investment by the company but also will bring 45 new jobs to the City.
- Target, a major retailer, has almost completed its first two-story establishment in the region at Hampton and Chippewa.
- Lowe's Home Improvement, in concert with Schnucks and others, remains committed to building a store in an expanded retail plaza at I-55 and Loughborough in south St. Louis.

Significant numbers of loft-style apartments and condominiums continue to be developed in downtown St. Louis. Response to this product has been excellent, and the new residential population is expected to improve both the retail and office markets in downtown. Newly constructed and substantially rehabilitated homes have dramatically increased in many of the City's neighborhoods as well. During the five years from 2000 through 2004, there were 11,151 residential building permits worth more than \$1 billion. Of these, about 2,500 were for permits in excess of \$50,000 each.

Although significant improvement is being experienced in the above-referenced areas, impact from the 9-11 tragedy is still being experienced by the City, most notably in the convention and tourism industry. Hotel occupancies remain less than optimal, and convention bookings are down. A Convention & Tourism Task Force has responded to these issues and several initiatives are already in progress as a result of the Task Force's work. A companion task force has reviewed operations at Lambert St. Louis International Airport, and the recommendations of this task force are in the process of implementation. After eliminating approximately 200 flights in 2003, American Airlines has added back approximately 1/8 of these flights.

The following table indicates average employment levels for City residents in the calendar years below, except at otherwise indicated:

	<u>March</u> <u>2005</u>[*]	<u>Average</u> <u>2004</u>	<u>Average</u> <u>2003</u>	<u>Average</u> <u>2002</u>	<u>Average</u> <u>2001</u>
Labor Force	156,047	163,352	161,963	158,178	162,048
Number Employed	141,604	146,431	145,616	142,749	148,991
% City Unemployed	9.3%	10.4%	10.1%	9.8%	8.1%
% State Unemployed	6.1%	5.7%	5.6%	5.5%	4.7%
% U. S. Unemployed	5.4%	5.4%	6.0%	5.8%	4.7%

^{*}Preliminary, subject to change.

Source: Missouri Department of Economic Development.

Major Employers

The following table presents information relating to the top twenty employers in the City based on the average of the fourth quarter payroll tax reports of 2004:

TOP 20 EMPLOYERS 2004

Name	Employees
BJC Health System	14,086
Washington University	11,869
City of St. Louis	9,516
St. Louis University	9,205
St. Louis Board of Education	8,433
SBC	7,092
U.S. Postal Service	6,211
Tenet Health System	6,207
State of Missouri	5,862
Anheuser Busch	5,163
A. G. Edwards	4,932
May Company	4,408
Schnucks Markets	3,280
Defense, Finance & Accounting Service*	3,280
Bank of America	3,057
Ameren Corporation	2,454
Junior College District	2,422
Bi-State Development Agency	2,391
U.S. Bank NA	1,909
Kiel Center Partners	1,857

*Federal payroll agency.

Source: Collector of Revenue, City of St. Louis.

Economic Development

Since 1995, there has been more than \$3 billion of development completed in the City of St. Louis. Recently completed projects include the new convention headquarters hotel across the street from the America's Center (Renaissance Grand Hotel), the Phase I of the St. Louis Arena site (Highlands Center) and Phase I and II of the Near Southside Complex. A number of neighborhood development projects are also planned or underway. Construction is either underway or soon to begin on nearly \$3 billion of additional developments.

COMPLETED DOWNTOWN PROJECTS

The following table lists information regarding completed major development projects in Downtown St. Louis totaling more than \$1.6 billion completed since 1995:

Completed	Project Type	Estimated Cost Of Project	Completion Date
Merchants/Laclede Hotel-Hilton	Rehabilitation	\$ 25,000,000	2005
Bi-Polar Condos 3222 Locust	Renovation	5,580,000	2005
1324 Washington Ave Loft (Grace loft)	Renovation	9,800,000	2005
Southtown Centre	New Construction	30,000,000	2005
Federal Reserve Bank Expansion	New Construction/ Rehabilitation	80,000,000	2005
Roberts Lofts	Renovation	14,000,000	2005
Terra Cotta Annex and Parking Garage	Rehabilitation/New Construction	24,000,000	2005
Westminster Place V Apt	New Construction	7,000,000	2004
9th/ Olive Parking Garage	New Construction	18,000,000	2004
Forest Park Restoration	Renovation	86,000,000	2004
Louderman Condominiums	Rehabilitation	15,100,000	2004
Sporting News Building, 2013 St. Charles Condominium	Rehabilitation	21,000,000	2004
Police Headquarters Addition	New Construction	10,000,000	2004
Lindell Towers/Moolah Temple	Renovation	42,000,000	2004
Laclede/Sarah Apartments	New Construction	12,400,000	2004
Gaslight Square Citirama Phase I	New Construction	6,800,000	2004
REACT Office	Renovation	1,800,000	2004
Riverbend Apartments	Renovation	7,850,000	2004
Smile Apartments (9 th & Allen)	Renovation	3,725,000	2004
61xx Delmar	Renovation	5,700,000	2004
JVL Renaissance II	Renovation	11,200,000	2004
7 th and Olive Garage	New Construction	14,500,000	2004
St. Vincent Homes (105 Homes)	New Construction	25,000,000	2004
Phyllis Wheatley Apt. 2709 Locust	Rehabilitation	7,300,000	2004
Maison Lofts	Adaptive/Reuse	5,500,000	2003
1206 Washington	Renovation	4,000,000	2003
Paristyle Loft Building	Rehabilitation	2,800,000	2003
703 N. 13th (34 condo, Elder Shirt Loft)	Renovation	6,000,000	2003
A.G. Edwards (office 500,000 sq. ft.)	New Construction	100,000,000	2003
Washington Ave Streetscape	Renovation	11,000,000	2003
Forest Park Apt.	Renovation	17,000,000	2003
300 N. Tucker	Office Rehabilitation	12,000,000	2003
Terra Cotta Loft Condos	Rehabilitation	20,000,000	2003
Martin Luther King Plaza Retail	New Construction	7,000,000	2003
Mississippi Lofts (40 units)	Renovation	10,000,000	2003
Murphy Park Apartment III	New Construction	20,000,000	2003
Coronado Hotel (3701 Lindell)	Renovation	23,300,000	2003
Contemporary Arts Gallery	New Construction	7,000,000	2003
Cardinal Ritter High School	New Construction	15,000,000	2003

Completed	Project Type	Estimated Cost Of Project	Completion Date
Retail 4301 Natural Bridge	Rehabilitation/ Expansion	\$ 3,500,000	2003
Marriott/Wash U Medical Hotel	New Construction	25,000,000	2003
1141-51 S. 7 th Street Office	Rehabilitation	6,500,000	2003
Hampton Inn /333 Washington Ave	Renovation	20,000,000	2003
H.G. Phillip Senior Apt	Renovation	42,000,000	2003
Convention Headquarters Hotel	Renovation/New Construction	270,000,000	2003
Rudman Loft	Renovation	8,000,000	2003
Tech Electronics	New Construction	4,500,000	2002
Cupples Station Parking Garage	New Construction	10,000,000	2002
Crown Lofts	Rehabilitation	4,600,000	2002
Vashon High School	New Construction	50,000,000	2002
Wireworks	Renovation	8,600,000	2002
City Criminal Justice Center	New Construction	91,000,000	2002
Continental Building	Renovation	23,500,000	2002
BJC Health System Phase I	New/Rehabilitation	225,000,000	2002
Drug Enforcement Agency Office	New Construction	25,000,000	2002
Lofts at Lafayette Square	Renovation	15,600,000	2002
Gravois Plaza	New Construction	17,000,000	2002
Gateway Classic FNO	New Construction	1,800,000	2002
Merchandise Mart Apts	Renovation	47,000,000	2002
Pulitzer Foundation for the Arts	New Construction	9,000,000	2001
Greater Ville Homes	New-Single Family	3,325,000	2001
705 Office building	Renovation	6,000,000	2001
210 North Tucker Office Building	Renovation	5,000,000	2001
Argyle Parking Garage/Library/Retail	New Construction	11,400,000	2001
Maple Acres	New – Single Family	9,000,000	2001
Marquette Garage	New Construction	11,000,000	2001
Dr. MLK Business Center (450,000 sq. ft.)	New Industrial	4,500,000	2001
Greeley Building – Laclede's Landing	Office Rehabilitation	5,000,000	2001
Sheraton Hotel/Edison Condos	Renovation	53,000,000	2001
Dickmann Building	Office/Retail Rehabilitation	3,500,000	2001
Tums	Renovation	16,600,000	2001
Center for Emerging Technology	Renovation	8,000,000	2001
A.G. Edwards Garage	New Construction	20,000,000	2001
Carondelet Pasta Plant	Expansion	18,000,000	2001
Sigma Chemical R & D	New Construction	50,000,000	2001
Adams School and Community Center	Renovation/New	15,000,000	2001
Crowns Foods-Residential	Renovation/New	5,500,000	2001
Pageant Theater	New Construction	4,000,000	2001
The Highlands Center Phase I	New Construction	15,000,000	2001
Saint Louis University Expansion	New Construction	80,000,000	2001
2300 Locust – SJI Fulfillment	Office Rehabilitation	4,500,000	2001
Cupples Station Westin Hotel	Renovation	50,000,000	2001
President Casino Complex	Renovation	6,000,000	2001
Hilton Pointe Apts. Phase II	New Construction	4,250,000	2001

Completed	Project Type	Estimated Cost Of Project	Completion Date
Merchandise Mart Annex (23 lofts)	Adaptive Rehabilitation	\$ 46,400,000	2001
Federal Courthouse	New Construction	180,000,000	2001
Drury Plaza Fur Exchange Hotel	Renovation	35,000,000	2000
1627 Washington Loft Building	Adaptive Rehabilitation	3,600,000	2000
History Museum	Renovation/ Expansion	30,000,000	2000
Kiel Triangle Park	New Construction	3,000,000	2000

COMPLETED NEIGHBORHOOD PROJECTS

The following table lists information regarding completed major development projects in St. Louis Neighborhoods totaling more than \$1.53 billion completed since 1995.

Project Name	Project Type	Estimated Cost Of Project	Completion Date
Jewish Hospital Garage	New Construction	\$ 12,000,000	1995
Clinton-Peabody Phase II	Rehabilitation	8,770,000	1996
St. Louis U. Expansion	Renovation/Expand	200,000,000	1996
Medium Security Institution	New Construction	11,000,000	1996
Carr Square Phase I Comp. Mod.	New Construction	6,861,768	1997
Carr Square Village	Rehabilitation	36,000,000	1997
Clinton-Peabody Phase III Housing	Rehabilitation	8,243,615	1997
Concordia Publishing Co.	Renovation	2,500,000	1997
Elderly Public Housing	Rehabilitation	3,120,635	1997
Home Depot	New Construction	10,500,000	1997
International Building	Rehabilitation	3,500,000	1997
KETC Channel 9	New Construction	6,000,000	1997
Malcolm Bliss State Hospital	New Construction	20,000,000	1997
Mo. Botanical Research Center	New Construction	5,000,000	1997
Northview Village	Rehabilitation	3,000,000	1997
Planet Hollywood Restaurant	Renovation	4,000,000	1997
State Psychiatric Hospital	Rehabilitation	27,500,000	1997
AFT Terminal Railroad Trestle	New Construction	13,000,000	1997
American Cancer Society	New Construction	6,000,000	1997
Small Business Tech Incubator	Rehabilitation	6,000,000	1998
Lone Star Industries	Expansion	4,500,000	1998
LaSalle Park Apartments	Rehabilitation	3,609,464	1998
Harris Stowe State College Library	New Construction	2,000,000	1998
City Plaza Shopping Center	New Construction	6,000,000	1998
Boxes, Inc.	Rehabilitation	7,000,000	1998
Blumeyer Elderly Apts.	Rehabilitation	3,088,000	1998
Affordable City Homes-West End	New Construction	4,500,000	1998
Sigma Chemical	New Construction	13,000,000	1999
Chase Park Plaza Hotel/Apts/Retail	Renovation	70,000,000	1999
Broadway Petroleum (201 E. Nagel)	New Construction	2,000,000	1999
Murphy Park Apts. – Phase I	New Construction	17,000,000	1999

Project Name	Project Type	Estimated Cost Of Project	Completion Date
History Museum	Renovation/New	\$ 30,000,000	2000
Crowns Foods-Residential	Renovation/New	5,500,000	2001
Pageant Theatre	New Construction	4,000,000	2001
The Highlands Office – Phase I	New Construction	15,000,000	2001
St. Louis U. Expansion	New Construction	80,000,000	2001
Hilton Pointe Apts.- Phase II	New Construction	4,250,000	2001
Pulitzer Foundation for the Arts	New Construction	9,000,000	2001
Greater Ville Homes	New Construction	3,325,000	2001
Argyle Parking Garage/Library/Retail	New Construction	11,400,000	2001
Maple Acres – Phase I	New Construction	9,000,000	2001
Dickmann Building	Renovation	3,500,000	2001
Center for Emerging Technology	Rehabilitation	6,000,000	2001
Carondelet Pasta Plant	Expansion	18,000,000	2001
Adams School & Community Center	Renovation/New	15,000,000	2001
Vashon High School	New Construction	50,000,000	2002
Wireworks	Renovation	8,600,000	2002
Continental Building	Renovation	23,500,000	2002
BJC Health System – Phase I	New/Rehab	225,000,000	2002
Lofts at Lafayette Square	Renovation	15,600,000	2002
Gravois Plaza	New Construction	17,000,000	2002
U. S. Paint Expansion	New Construction	5,700,000	2002
Tech Electronics	New Construction	4,500,000	2002
Crown Lofts	Rehabilitation	4,600,000	2002
Parkway Hotel/Wash U. Med Center	New Construction	25,000,000	2003
Maison Lofts (Euclid/Washington)	Adaptive Reuse	5,500,000	2003
MLK Plaza	New Construction	7,000,000	2003
M Lofts (40 units)	Renovation	10,000,000	2003
Murphy Park Apartments III	New Construction	20,000,000	2003
Coronado Hotel	Renovation	27,300,000	2003
Homer G. Phillips Apts.	Renovation	42,000,000	2003
Contemporary Art Gallery	New Construction	7,000,000	2003
Cardinal Ritter College Prep High	New Construction	15,000,000	2003
Forest Park Hotel/Apartments	Renovation	17,000,000	2003
4301 Natural Bridge (Retail)	Rehab/New Constr.	3,500,000	2003
Riverbend Apartments	Renovation	7,850,000	2004
Smile Apartments (9 th & Allen)	Renovation	3,725,000	2004
61xx Delmar Blvd. (Joe Edwards)	Renovation	5,700,000	2004
St. Vincent Homes	New Construction	25,000,000	2004
JVL Renaissance II	Renovation	11,200,000	2004
Gaslight Square Citirama (Phase I)	New Construction	6,800,000	2004
Volpi & Co. (5245 Northrup)	New Construction	4,000,000	2004
Lindell Towers/Moolah Temple	Renovation	42,000,000	2004
Lister Building (4500 Olive)	Renovation	3,750,000	2004
St. Louis Place Park Homes	New Construction	3,600,000	2004
Tarlton Construction Hdqtrs.	New Construction	3,500,000	2004
6134 Virginia Ave. Condos	Rehabilitation	2,400,000	2004
Coleman/Bacon-Habitat (26 homes)	New Construction	2,500,000	2004
6238-48 Sunshine Dr. (24 condos)	New Construction	3,348,000	2004

Project Name	Project Type	Estimated Cost Of Project	Completion Date
Metro Lofts (4531 Forest Park)	New Construction	\$ 36,400,000	2004
Laclede/Sarah Apartments	New Construction	12,400,000	2004
2216 Sidney (12 loft condos)	Renovation	2,000,000	2004
Walter Knoll Florist	Rehab/New Const.	3,000,000	2004
Forest Park Restoration	Renovation	86,000,000	2004

PROJECTS PLANNED OR UNDER CONSTRUCTION

The following table lists information regarding major development projects, totaling approximately \$3 billion, currently planned or under construction in the City:

DOWNTOWN PROJECTS (\$1.83 BILLION)

Planned or Under Construction	Project Type	Estimated Cost Of Project	Completion Date
Metro Lofts 4531 Forest Park	New Construction	\$ 36,400,000	2004
312 N. 8th Condo	Renovation	4,500,000	2005
1110 Washington	Renovation	15,000,000	2005
1206 Washington	Renovation	4,000,000	2005
Walter Knoll Florist	Expansion/New Construction	3,000,000	2005
1141-51 S. 7 th Street Office	Rehabilitation	6,500,000	2005
S. G. Adams Building (24 lofts)	Adaptive Rehabilitation	5,700,000	2005
Highlands PH II Office	New Construction	15,000,000	2005
Highland Apartments	New Construction	35,000,000	2005
Target Store – Hampton/Chippewa	New Construction	14,700,000	2005
1214 Washington Condominiums	Rehabilitation	3,500,000	2005
1000 Locust (20 Lofts)	Rehabilitation	5,000,000	2005
Paul Brown Apartments	Rehabilitation	46,000,000	2005
The Lofts @ The Highlands	New Construction	35,000,000	2005
Railway Lofts	Renovation	12,500,000	2005
Old Post Office	Renovation	77,000,000	2005
Harris Stowe State College Expansion Phase II	New Construction	16,000,000	2005
Soulard Market Apartments	Renovation	30,000,000	2005
410 N. Jefferson Condos	Renovation	12,800,000	2005
Renaissance on Grand Apartments	New Construction	21,600,000	2005
Maryland Plaza South	Renovation	20,500,000	2005
21-59 Maryland Plaza Condos	Renovation	10,200,000	2005
University Village Apartments	Renovation	53,500,000	2005
1601 Washington Condo/Commercial	Renovation	15,800,000	2005
Printers Lofts	Renovation	26,500,000	2005
Security Building	Renovation	13,200,000	2005
Adam's Mark Hotel	Renovation	10,000,000	2005
Barton Street Lofts	Renovation	2,800,000	2005
Dogtown Walk II	New Construction	2,700,000	2005
Maple Acres Phase II	New Construction	4,000,000	2005
Marquette Building	Renovation	35,000,000	2005

Planned or Under Construction	Project Type	Estimated Cost Of Project	Completion Date
Mullanphy Square Phase III	New Construction	\$ 2,500,000	2005
The Annex Lofts	Rehabilitation	19,000,000	2005
Union West-Cote Brillante	New Construction	1,800,000	2005
Westgate Condos	Renovation	11,500,000	2005
Windows Lofts	Renovation	15,800,000	2005
Cupples Station Office (150,000 sq. ft.)	Adaptive Rehabilitation	20,000,000	2006
City Hosp Condo/Mixed use	Renovation	28,000,000	2006
Near Southside Mixed Use Development	New Construction	150,000,000	2006
Multi-Modal Station	New Construction	25,000,000	2006
Cupples Station Apartments	Rehabilitation	45,000,000	2006
Majestic Stove Lofts	Rehabilitation	22,100,000	2006
4200 Lindell Condominiums	Rehabilitation	6,000,000	2006
Euclid/Lindell Condominiums	New Construction	35,000,000	2006
Hampton Inn Hotel @ The Highlands	New Construction	14,000,000	2006
1300 Convention Plaza Apartments	Renovation	7,900,000	2006
Blumeyer Apartments Phase II	New Construction	16,144,000	2006
Fashion Square MultiUse	Rehabilitation	29,000,000	2006
5350-5428 Delmar Townhouses	New Construction	7,000,000	2006
Water's Edge Condos	New Construction	20,000,000	2006
Baseball Stadium	New Construction	387,000,000	2006
BJC Cardiac Cath Lab	New Construction	7,000,000	2006
1517 S. Theresa School Building	Renovation	8,000,000	2006
4545 Lindell Blvd Condos	New Construction	20,000,000	2006
Alexander/Locust Lofts	Renovation	5,000,000	2006
Bankers Lofts	Renovation	23,000,000	2006
Barnes Jewish CTICU	New Construction/Rehab	65,000,000	2006
Bee Hat Building	Renovation	32,000,000	2006
Catlin Townhomes	New Construction	2,800,000	2006
Convention Plaza Apartments	Renovation	7,900,000	2006
Days Inn Apartments	Renovation	12,000,000	2006
Demim Lofts	Renovation	5,000,000	2006
East Bank Lofts	Rehabilitation	11,000,000	2006
Lafayette Townhomes	Rehabilitation	6,000,000	2006
Loughborough Commons	New Construction	4,000,000	2006
Maryland Plaza North	Rehabilitation	20,500,000	2006
Meridian Lofts	Rehabilitation	25,400,000	2006
Motor Parts Warehouse	Renovation	12,000,000	2006
Powerhouse	Rehabilitation	12,600,000	2006
Sensientr Colors Inc. Expansion	New Construction	7,900,000	2006
Southside National Bank Condos	Renovation	2,200,000	2006
Sullivan/Dodier Apartments	New Construction	22,800,000	2006
Sunshine Factory	Rehabilitation	30,000,000	2006
Syndicate Trust	Renovation	68,000,000	2006
The Cascades	New Construction	25,000,000	2006
Truman Homes	New Construction	15,000,000	2006
Warehouse of Fixtures	Renovation	53,500,000	2006
BioMed 21 Translational Research	New Construction	15,000,000	2007
Cochran Housing Complex	Rehabilitation	70,000,000	2007

Planned or Under Construction	Project Type	Estimated Cost Of Project	Completion Date
Grant School	Rehabilitation	\$ 7,500,000	2007
Anheuser-Busch Office Building	New Construction	20,000,000	2007
BJC Health Care @ Childrens	New Construction	75,000,000	2007
Bottle District	New Construction	226,500,000	2007
Elias Haas Building	Renovation	15,000,000	2007
Ely Walker Lofts	Renovation	40,000,000	2007
Pinnacle Entertainment Casino	New Construction	250,000,000	2007
Drury Hotel Hampton & Wilson	New Construction	14,000,000	2007
Carondelet Coke Site	New Construction	37,800,000	2007
Kiel Opera House & Garage	Rehabilitation	42,000,000	2007
St. Louis Art Museum Expansion	Renovation	100,000,000	2007
Botanical Heights	New Construction	45,000,000	2008
Chouteau/Compton Indust.	Construction	14,500,000	2008
St. Louis University Arena	New Construction	80,000,000	2008
St. Louis University Research Center	New Construction	80,000,000	2008
Baseball Village Phase I	New Construction	60,000,000	2009
Mississippi River Bridge	New Construction	300,000,000	2011

NEIGHBORHOOD PROJECTS (\$975 MILLION)

Project Name	Project Type	Estimated Cost Of Project	Completion Date
The Lofts @ The Highlands	New Construction	\$ 35,000,000	2005
Hampton Inn Hotel @ The Highlands	New Construction	14,000,000	2005
2500 S. 18 th St. Apartments	Renovation	3,800,000	2005
Nooter Const. Office & Storage	New Construction	6,600,000	2005
1530 S. 2 nd St. Industrial	Rehabilitation	3,000,000	2005
Target Store at Chippewa & Hampton	New Construction	14,700,000	2005
Melba Theatre Retail	Renovation	1,785,000	2005
S. Grand "Anderson Garage"	Renovation	2,300,000	2005
Southtown Centre	New Construction	30,000,000	2005
Harris Stowe State College Expansion (Phase II)	New Construction	16,000,000	2005
Renaissance on Grand Apts.	New Construction	21,600,000	2005
Soulard Market Apartments	Renovation	30,000,000	2005
Dogtown Walk II	New Construction	2,700,000	2005
Lafayette Square Town Homes	New Construction	11,100,000	2005
Bi-Polar Condos (3222 Locust)	Renovation	5,580,000	2005
Catlin Townhomes	New Construction	2,800,000	2005
Shenandoah Place Condos	Renovation	1,600,000	2005
Barton Street Lofts	Renovation	2,800,000	2005
Maryland Plaza South	Renovation	20,500,000	2005
21-59 Maryland Plaza Condos	Renovation	10,200,000	2005
Blumeyer Apts. – Phase II	New Construction	16,144,000	2005
Maple Acres – Phase II	New Construction	4,000,000	2005
Mullanphy Square – Phase III	New Construction	2,500,000	2005
St. Louis U. Research Center	New Construction	80,000,000	2005
Drury Hotel (Hampton/Wilson)	New Construction	14,000,000	2005
Union West Homes – Cote Brillante	New Construction	1,800,000	2005
City Hospital Condo/Mixed Use	Renovation	28,000,000	2006

Project Name	Project Type	Estimated Cost Of Project	Completion Date
Near Southside Mixed Use	New Construction	\$ 150,000,000	2006
4200 Lindell Condos	Renovation	6,000,000	2006
Park East Tower Condos	New Construction	35,000,000	2006
St. Louis U. Arena	New Construction	80,000,000	2006
St. Louis Art Museum Expansion (Phase I)	Renovation	50,000,000	2006
Carondelet Coke Site	New Construction	37,800,000	2006
5350-5428 Delmar (40 Townhomes)	New Construction	7,000,000	2006
Warehouse of Fixtures	Renovation	53,500,000	2006
Southside National Bank Condos	Renovation	2,162,226	2006
Sullivan/Dodier Apartments	New Construction	22,800,000	2006
Sensient Colors Inc. Expansion	New Construction	7,900,000	2006
1517 S. Theresa School Bldg. Apts	Renovation	8,000,000	2006
Conrad Properties Condos at 4545 Lindell Blvd.	New Construction	20,000,000	2006
Gaslight Square East	Rehab/New Const	19,450,000	2006
Mississippi Place	New Construction	4,500,000	2006
Loughborough Commons	New Construction	40,000,000	2006
5700 Arsenal St.	New Construction	15,000,000	2006
The Cascades	New Construction	25,000,000	2006
Ice House - Phase I	Rehabilitation	8,000,000	2006

Building and Construction Data

The following table shows trends in the number of building permits and value of housing construction, rehabilitation and commercial construction in the City for the calendar years set forth below:

Calendar Year	Value of Housing		Value of Commercial, Industrial or other Non- Housing	Total Number of Permits	Total Value
	New	Rehabilitation			
1999	\$ 31,240,582	\$ 19,553,289	\$ 205,602,820	4,420	\$ 256,396,691
2000	33,594,010	49,847,765	431,876,501	5,047	515,318,276
2001	24,626,272	42,009,902	366,737,303	5,095	433,373,477
2002	41,590,777	103,583,045	335,566,980	5,627	480,740,802
2003	112,499,325	103,501,991	326,046,296	5,965	542,047,612
2004	41,002,001	104,936,144	526,140,457	6,069	672,078,602

Source: City Building Division.

EMPLOYEES AND EMPLOYEE RELATIONS

The City currently employs approximately 6,300 persons who are paid from the City's General Revenue Fund, approximately 2,000 of whom are employees of the Police Department.

Under State law, employees of the City, including those of the Police Department, do not have the authority to bargain collectively. The salaries of employees of the Police Department are established by the Board of Police Commissioners within the maximum established by the General Assembly, with the provision that the City need not appropriate sums in excess of the limit established by the Hancock Amendment. All City employees, other than the commissioned employees of the Police Department,

have “meet and confer” rights which means that they have the right to meet and confer with their employers to discuss salaries, benefits and other similar issues. The City is obliged to discuss these issues in good faith with its employees, although the discussions are not binding. City police officers have no such rights. No City employee has the right to strike. The City considers its employee relations to be good.

RETIREMENT SYSTEMS

The City maintains three retirement plans covering substantially all full-time employees. The plans are The Employees’ Retirement System, The Firemen’s Retirement System, and The Police Retirement System. For each of the plans, liabilities for benefits are not limited to pension fund assets and are a statutory obligation of the City.

Contributions to all plans for the Fiscal Year ended June 30, 2004, totaled \$13,742,187 from the City’s General Revenue Fund.

			(In Thousands)
Benefits	Actuarial Value of System Assets	Actuarial Accrued Liability	Plan Assets in Excess of (Unfunded) Plan Benefits
Employee’s Retirement System	\$ 424,917	\$ 576,128	\$ (151,211)
Police Retirement System	734,391	830,138	(95,747)
Firemen’s Retirement System	391,021	429,973	(38,952)

Source: City Comptroller’s Office.

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APPENDIX B

**INDEPENDENT AUDITOR'S REPORT
AND BASIC FINANCIAL STATEMENTS
OF THE CITY OF ST. LOUIS, MISSOURI
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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KPMG LLP
Suite 900
10 South Broadway
St. Louis, MO 63102-1761

Independent Auditors' Report

To the Honorable Mayor and
Members of the Board of Aldermen
City of St. Louis, Missouri:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Louis, Missouri, as of and for the year ended June 30, 2004, which collectively comprise the City of St. Louis, Missouri's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Louis, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the pension trust funds, St. Louis Development Corporation, and the Harry S. Truman Restorative Center. The assets and additions of the pension trust funds represent 92% and 100% of the assets and additions, respectively, of the aggregate remaining fund information. The assets of St. Louis Development Corporation and Harry S. Truman Restorative Center represent 59% and 1%, respectively, of the assets of the aggregate discretely presented component units. The revenues of St. Louis Development Corporation and Harry S. Truman Restorative Center represent 14% and 1%, respectively, of the revenues of the aggregate discretely presented component units. The financial statements of the pension trust funds, St. Louis Development Corporation, and Harry S. Truman Restorative Center were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those funds and discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the pension trust funds and Harry S. Truman Restorative Center discretely presented component unit were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the reports of other auditors, provides a reasonable basis for our opinions.

As discussed in note 23d to the financial statements, on November 1, 2003, the major air carrier providing air passenger service at Lambert-St. Louis International Airport, an enterprise fund of the City of St. Louis, Missouri, significantly reduced its operations at Lambert-St. Louis International Airport.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of

St. Louis, Missouri, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2005, on our consideration of the City of St. Louis, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 19, the Budgetary Comparison Information on pages 123 through 128, and the Firemen's Retirement System of St. Louis and Employees' Retirement System of the City of St. Louis Information on page 129 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Louis, Missouri's basic financial statements. The combining and individual fund financial statements and schedules – other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied by us and the other auditors, in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

St. Louis, Missouri
February 14, 2005

<p style="text-align: center;">CITY OF ST. LOUIS MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2004</p>
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This section of the City of St. Louis's (the City) Comprehensive Annual Financial Report presents an easily readable analysis of the City's financial activities based on currently known facts, decisions, and conditions. The following discussion and analysis of the City's financial performance has been prepared by management to provide an overview of the basic financial statements of the City of St. Louis for the fiscal years ended June 30, 2004 and 2003. For a comprehensive understanding of the financial statements, please review the transmittal letter at the front of this report along with the City's financial statements, including the footnotes that follow the Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS (excluding discretely presented component units)

- On a government-wide basis the City's total assets exceeded its liabilities for the most recent fiscal year by \$1.5 billion.
- Governmental activities and business-type activities had net assets of \$381.9 million and \$1.1 billion, respectively.
- On a government-wide basis during the year, the City's total expenses were \$11.0 million less than the \$887.0 million revenue generated in charges for services, grants, taxes, and other revenues.
- The cost of the City's governmental activities was \$672.6 million in fiscal year 2004.
- As of June 30, 2004, the City's governmental funds reported combined ending fund balances of \$205.7 million. Of this amount, \$85.5 million is unreserved fund balance and available for spending at the City's discretion.
- The unreserved fund balance for the general fund was \$44.8 million or 11.2% of total general fund expenditures.
- The general fund revenues were lower than original budget estimates.
- In fiscal year 2004, the City issued \$70.3 million in long-term debt to finance projects and refund debt. There was a net increase of \$25.7 million or 4.3% in bond debt during the current fiscal year.
- Total actual resources available in the General Fund were \$9.1 million less than originally estimated and appropriated. However, management limited general fund spending primarily through a decrease in transfers from the general fund and a reduction in planned departmental expenditures.
- Net pension obligations increased by \$19.2 million and net pension asset decreased by \$2.4 million due to the difference between the actuarial determined pension contributions to the three pension funds and the amounts actually contributed.
- Tax increment financing (TIF) debt increased government-wide liabilities in the amount of \$4.9 million. There is no related asset for TIF debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the financial statements*.

Government-wide Financial Statements

The first set of financial statements is the government-wide statements which report information about the City as a whole using accounting methods similar to those used by private-sector companies. The two government-wide statements, **Statement of Net Assets** and **Statement of Activities**, report the City's net assets and how they have changed. In the government-wide statements, a distinction is made between governmental-type activities and business-type activities. Governmental-type activities are those normally associated with the operation of a government such as, public safety, parks, and streets. Business-type activities are those activities of the government that are designed to be self-supporting.

The **Statement of Net Assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Increases and decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating. The statement of net assets also provides information on unrestricted and restricted net assets and net assets invested in capital assets, net of related debt.

The **Statement of Activities** present information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of the timing of related cash flows.

The statement of activities presents the various functions of the City and the degree to which they are supported by charges for services, federal and state grants and contributions, tax revenues, and investment income.

The governmental activities of the City include general government, convention and tourism, parks and recreation, judicial, streets, public safety (fire, police, other), health and welfare, public service, community development as well as interest and fiscal charges. The business-type activities of the City include an airport, water division, and parking facilities.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate redevelopment agency, a legally separate police department for which the City is financially accountable, a not-for-profit skilled nursing facility supported by the City, and a legally separate corporation that owns and leases the downtown steam loop. Financial information for these component units is reported separately from the financial information presented for the primary government.

The government-wide financial statements also include blended component units within the primary government because of their governance. Included within the governmental activities of the government-wide financial statements are the operations of the Public Facilities Protection Corporation (PFPC), St. Louis Municipal Finance Corporation, St. Louis Municipal Finance Corporation II, and St. Louis Parking Commission Finance Corporation.

Fund Financial Statements

The second set of statements is fund financial statements, which provide information about groupings of related accounts that are used to maintain control over resources for specific activities or objectives. The City uses fund accounting to demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. The funds of the City can be divided into the following three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

1. *Governmental Funds.* Governmental funds tell how general government services were financed in the short term as well as what financial resources remain available for future spending to finance City programs.

The City maintains several individual governmental funds according to their type (general, special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund and grants fund, which are considered to be major funds. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements.

2. *Proprietary Funds.* Proprietary funds offer short-term and long-term financial information about services for which the City charges customers, both external customers and internal departments of the City. The City maintains the following two types of proprietary funds:
 - *Enterprise Funds* are used to report information similar to business-type activities in the government-wide financial statements. The City uses the enterprise funds to account for the operations of the Lambert-St. Louis International Airport, Water Division, and the Parking Division.
 - *Internal Service Funds* are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its mail handling services, for payment of workers' compensation and various other claims, and health insurance.
3. *Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of individuals or units outside of the City. The City is the trustee or fiduciary responsible for assets which can be used only for the trust beneficiaries per trust arrangements. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The City's pension trust funds and agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and notes to the financial statements, this report presents required supplementary information concerning the City's budgetary comparisons for the general fund and required supplementary information pertaining to the Firemen's Retirement System of St. Louis and the Employees' Retirement System of the City of St. Louis pension trust funds. The Police Retirement System of St. Louis uses the aggregate actuarial cost method and, accordingly, no required supplementary information is presented as this method does not identify or separately amortize unfunded actuarially accrued liabilities.

Combining Statements

The combining statements provide fund level detail for all nonmajor governmental funds, internal service funds, pension trust funds, and agency funds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's combined net assets for fiscal years 2004 and 2003 were \$1.5 billion for each year. Looking at the net assets of governmental and business-type activities separately provides additional information.

The City of St. Louis, Missouri
Schedule of Net Assets
June 30, 2004 and 2003
(dollars in millions)

	Governmental Activities		Business -type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets:						
Current and other assets	341.6	380.5	590.5	763.2	932.1	1,143.7
Capital assets	776.8	730.5	1,694.5	1,487.0	2,471.3	2,217.5
Total assets	1,118.4	1,111.0	2,285.0	2,250.2	3,403.4	3,361.2
Liabilities:						
Long-term debt outstanding	671.8	634.4	1,047.9	1,069.4	1,719.7	1,703.8
Other liabilities	64.7	51.5	76.9	74.8	141.6	126.3
Total liabilities	736.5	685.9	1,124.8	1,144.2	1,861.3	1,830.1
Net assets:						
Invested in capital assets,						
Net of related debt	329.5	326.1	928.7	810.7	1,258.2	1,136.8
Restricted	127.3	141.4	197.5	263.4	324.8	404.8
Unrestricted	(74.9)	(42.4)	34.0	31.9	(40.9)	(10.5)
Total net assets	381.9	425.1	1,160.2	1,106.0	1,542.1	1,531.1

ANALYSIS OF NET ASSETS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$1.5 billion in the current year and the previous year.

The largest portion of the City's net assets, 81.5% reflects its investments of \$1.2 billion in capital assets (for example, infrastructure, land, buildings, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

Included in the City's total net assets at the end of fiscal 2004 and fiscal 2003, respectively, is \$324.8 and \$404.8 million, which represents resources that are subject to external restrictions on how they may used.

All net assets generated by governmental activities are either externally restricted or invested in capital assets. Total unrestricted net assets decreased by \$32.5 million for the year ended June 30, 2004. Consequently, unrestricted governmental activities net assets showed a \$74.9 deficit at the end of this year as compared to a \$42.4 million deficit last fiscal year. This deficit does not mean that the City does not have resources available to pay its bills next year. Rather, it is the result of having long-term

commitments that are greater than currently available resources. For example, the City's policy and practice is to budget for certain long-term expenses as they come due. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from property and casualty claims and amounts to pay for unused employee vacation and sick days. The City will continue to include these amounts in future year's budgets as they come due.

In addition, four particular features of the City's recent financial activity affected the deficit in unrestricted governmental net assets. These activities over the past several years reflect debt to provide development stimulus for which the City received no offsetting asset. They include the following:

- Section 108 loan agreements, \$72.5 million.
- Joint venture financing agreement for the expansion of the convention center, \$73.5 million.
- Tax increment financing debt for economic development projects in the amount of \$30.7 million.
- Capital lease obligation with component unit for construction of convention center hotel, \$40.0 million

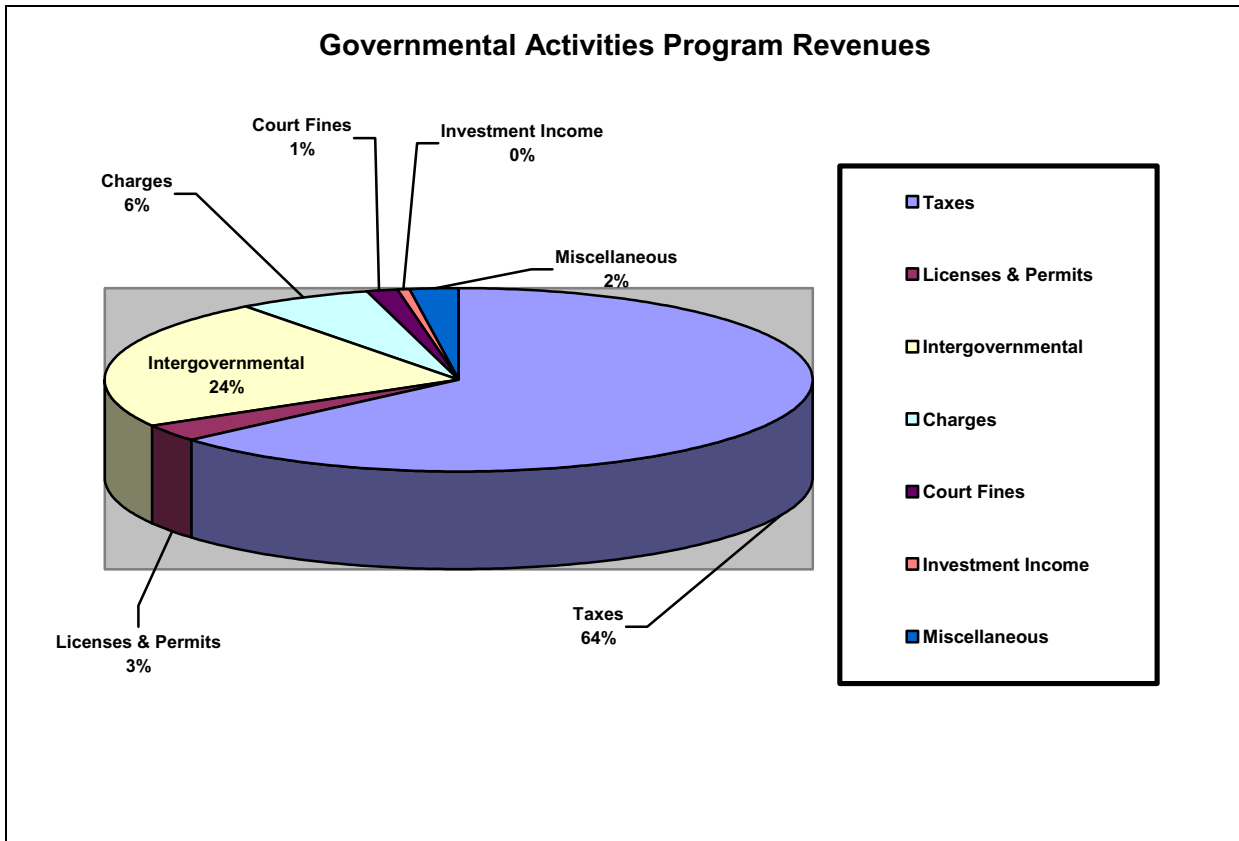
Although the net assets of the business-type activities demonstrated an increase of \$54.2 million, these resources cannot be used to make up for the unrestricted net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of the airport, water, and parking operations.

City of St. Louis, Missouri
Changes in Net Assets
June 30, 2004 and 2003
(dollars in millions)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	71.2	75.8	204.3	230.1	275.5	305.9
Federal and state grants	145.4	117.3	48.9	44.9	194.3	162.2
General revenues						
Taxes	398.0	415.1			398.0	415.1
Investment Income	2.7	3.9	8.1	23.2	10.8	27.1
Total revenues	617.3	612.1	261.3	298.2	878.6	910.3
Expenses:						
General government	91.8	69.9			91.8	69.9
Convention and tourism	4.5	6.7			4.5	6.7
Parks and recreation	23.7	20.7			23.7	20.7
Judicial	47.9	51.1			47.9	51.1
Streets	54.0	49.9			54.0	49.9
Public Safety:						
Fire	51.1	50.5			51.1	50.5
Police	131.5	126.5			131.5	126.5
Other	55.2	50.2			55.2	50.2
Health and welfare	37.0	37.8			37.0	37.8
Public service	73.2	67.1			73.2	67.1
Community Development	64.2	59.2			64.2	59.2
Interest on long-term debt	38.5	30.1			38.5	30.1
Airport			147.7	158.2	147.7	158.2
Water Division			41.6	40.9	41.6	40.9
Parking Division			14.0	10.1	14.0	10.1
Total expenses	672.6	619.7	203.3	209.2	875.9	828.9
Gain on sale	1.9	0.2			1.9	0.2
Special item	3.0		3.4		6.4	
Transfers	7.2	7.5	(7.2)	(7.5)		
Increase (decrease) in net assets	(43.2)	0.1	54.2	81.5	11.0	81.6
Ending net assets	381.9	425.1	1,160.2	1,106.0	1,542.1	1,531.1

Changes in net assets. The City's total revenue on a government-wide basis was \$878.6 million a decrease of \$31.7 million over the previous year. Taxes represent 45.3% of the City's revenue as compared to 45.6% last year. Additionally, 31.4% comes from fees charged for services, as compared to 33.6% of the previous year's revenue. The remainder is state and federal aid, interest earnings and miscellaneous revenues.

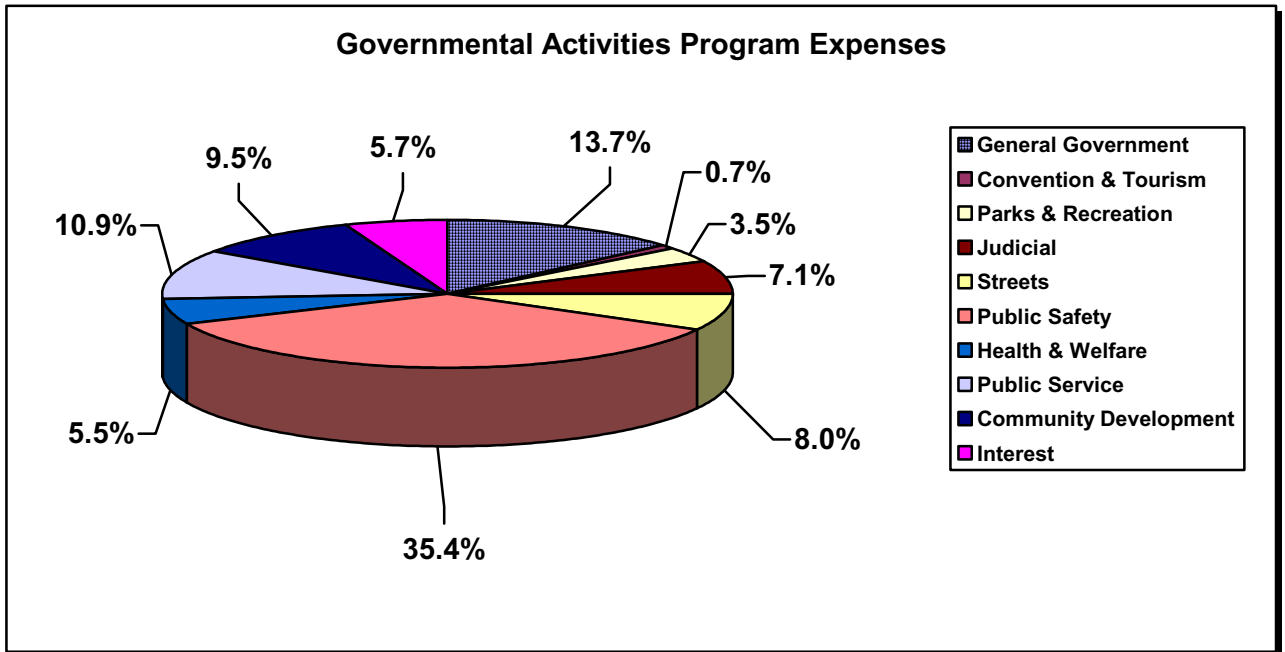
The total cost of all programs and services was \$875.9 million, an increase from \$828.9 million last year. The City's expenses cover a range of typical city/county services. The largest program was the airport. The program with the largest burden on general revenues was public safety.



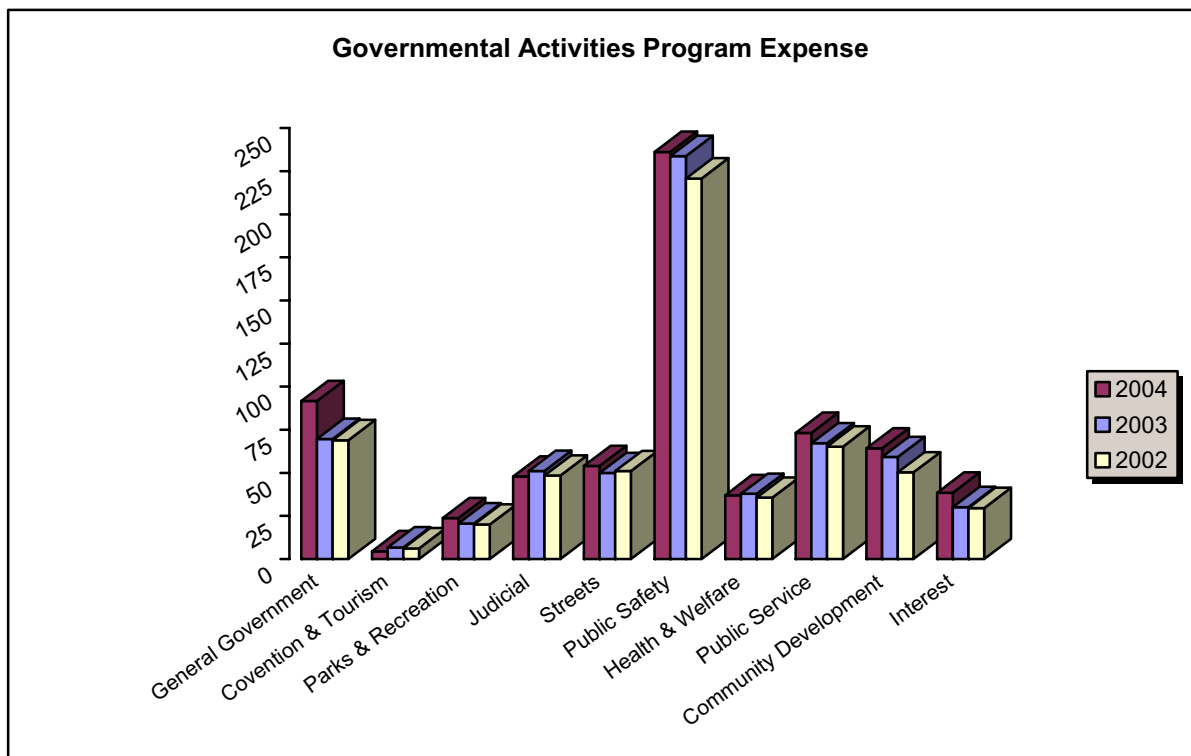
Governmental activities. Revenues excluding the gain on the sale of assets increased by \$5.2 million (0.9%) while total expenses increased by \$52.9 million, (7.9%). Governmental activities decreased the City's net assets by \$43.2 million in fiscal 2004. The gain on the sale of capital assets reduces the decrease in net assets by \$1.9 million.

General revenues such as property, earnings, payroll and sales taxes are not shown by program, but are included in the Governmental Activities Program Revenues chart to show their significance. The taxes are used to support program activities citywide.

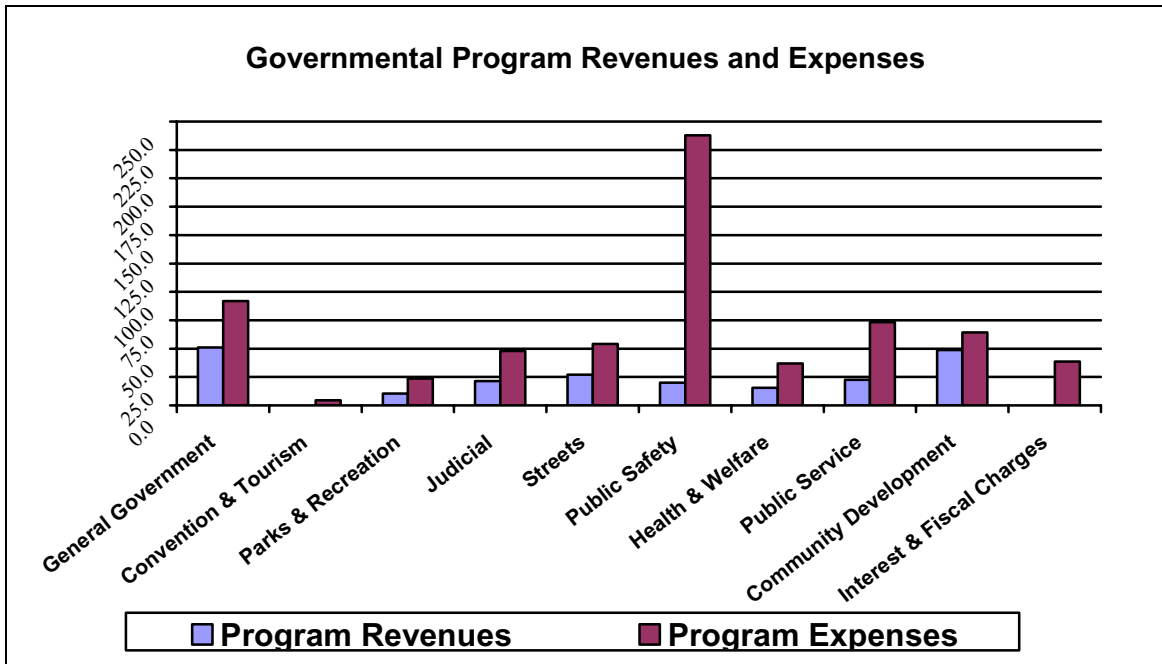
Several revenue sources fell short of the final budget estimates. The shortfalls include various tax revenue, intergovernmental, court fines, and interest. Of the budgeted revenue, charges for services and licenses and permits exceeded the budgeted amount by 7.0% and 0.8%, respectively. Although assessed values for real property has been increasing, the Missouri Constitution requires a rollback of tax rates to prevent a tax revenue windfall to municipal governments.



The charts above illustrate a comparison of the City's governmental activities program revenues and expenses and a breakdown of expenses by function and revenues by source. As shown, public safety is the largest function in expense (35.4%).



The major increase in governmental activities was in the general government program. The increases was caused by the increase in pension obligations for the Employees' Retirement System of \$17.2 million, for the Police Retirement System of \$5.5 million, and for the Firemen's Retirement System \$2.4 million.



City of St. Louis, Missouri
Governmental Activities
(dollars in millions)

	Total Cost of Services		Net Cost of Services	
	2004	2003	2004	2003
General government	91.8	69.9	40.6	6.8
Convention and tourism	4.5	6.7	4.5	6.7
Parks and recreation	23.7	20.7	13.3	16.7
Judicial	47.9	51.1	26.6	31.7
Streets	54.0	49.9	26.8	44.4
Public Safety:				
Fire	51.1	50.5	45.0	43.5
Police	131.5	126.5	129.0	126.5
Other	55.2	50.2	43.7	42.0
Health and welfare	37.0	37.8	21.5	7.3
Public service	73.2	67.1	50.7	57.5
Community Development	64.2	59.2	15.5	13.5
Totals	634.1	589.6	417.2	396.6

The charts listed above represent the cost of governmental activities this year, excluding interest and fiscal charges. The cost this year was \$634.1 million compared to \$589.6 million last year. However, as shown in the statement of activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$417.4 million. The difference of \$216.7 million comprises charges for services (\$71.2 million), grants and contributions (\$145.5 million).

City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 30, 2004
(dollars in millions)

	2004	2003	2004 vs. 2003 \$ Change	2004 vs. 2003 % Change
Total assets	330.6	357.0	(26.4)	(7.3)
Total liabilities	124.9	122.6	2.3	1.9
Fund balances:				
Reserved:	120.3	130.8	(10.5)	(8.0)
Unreserved:				
General Fund	44.7	52.0	(7.3)	(14.0)
Special Revenue	43.4	41.5	1.9	4.6
Capital Projects	(2.7)	10.1	(12.8)	(126.7)
Total fund balances	205.7	234.4	(28.7)	(12.2)
Total liabilities and fund balance	330.6	357.0	(26.4)	(7.3)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The focus of the City's governmental funds is to provide information on inflows, outflows and balances of current financial resources that are available for spending. An unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the unreserved fund balance of the general fund was \$44.7 million, while the total general fund balance was \$69.9 million. As of June 30, 2003, the balances were \$52.0 million and \$76.7 million respectively. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance of \$44.7 million represents 11.1% of total general fund expenditures and transfers out of \$402.6 million, while total fund balance of \$69.9 million represents 17.4% of total general fund expenditures and transfers out. This compares to 12.6% and 18.6% respectively in fiscal year 2003.

The total fund balance in the City's general fund decreased by \$6.8 million or 8.8% in the current fiscal year. This compares to \$11.2 million or 12.7% respectively in the prior year. The change of the current fiscal year's general fund balance is primarily due to:

1. Economically sensitive revenues such as earnings tax, payroll tax, and sales tax remained flat or declined from the previous year.
2. Lower interest rates on City investments and the decrease in available funds for investment caused interest revenues to decrease.
3. The General Fund contributed \$7.7 million to the Employee's Retirement System, \$1.9 million to the Firemen's Retirement System, and \$4.1 million to the Police Retirement System as compared to \$11.5, \$3.0, and \$0.0 million, respectively, in the previous year

4. In fiscal year 2003, the Health Department was fully funded by the Use Tax Fund. In fiscal year 2004, Vector Control and Rabies Control were funded in the General Fund, causing an increase in Health & Welfare expenditures.
5. The Convention Center Revenue Bonds were refinanced in fiscal year 2003. No principal payment was due during fiscal year 2004, decreasing debt service expenditures.

The capital projects fund ended the fiscal year with a negative unreserved fund balance of \$2.7 million and a total positive fund balance of \$77.3 million as compared to \$10.1 million and \$105.8 million, respectively, in the prior year. Capital project bond proceeds were in place to cover all expenditures in excess of revenues for the capital projects fund.

The grants fund received \$95.6 million in intergovernmental revenues and the Community Development Agency spent \$48.6 million or 50.8% of these funds.

Proprietary Funds

The City's proprietary funds each issue separate financial statements which provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets for Lambert-International Airport were \$35.0 million, the Water Division \$0.7 million, and the Parking Division was a negative \$0.2 million as compared to \$32.1 million, \$1.6 million and negative \$1.4 million, respectively in 2003. The internal service funds which are used to account for certain governmental activities also had negative unrestricted net assets in the amount of \$18.9 million. Last year the unrestricted net assets were negative \$18.0 million. The total growth in net assets for the proprietary funds was \$55.2 million in the current year and \$81.3 million the previous year. Factors contributing to the finances of these funds have been addressed earlier in the Management's Discussion and Analysis of the City's business-type activities.

Fiduciary Funds

The City maintains fiduciary funds for the assets of the pension trust funds for the Firemen's Retirement System, the Police Retirement System, and the Employee's Retirement System. As of the end of the current fiscal year, the net assets of the pension funds totaled \$1.4 billion, an increase of \$144.0 million from the previous year. The change is primarily due to the increase in market value of the pension funds' investments.

The City is the custodian of the agency funds and the most common use of agency funds is for pass-through activity. Since, by definition, all assets of the agency funds are held for the benefit of other entities, there are no net assets to discuss. As of the end of the current fiscal year, the combined gross assets of the agency funds totaled \$53.7 million. This amount comprises activity from the collector of revenue, property tax escrow, general insurance, bail bonds, license collector, and circuit clerk, and other miscellaneous agency activities.

General Fund Budgetary Highlights

The final budget for the City's general fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments) plus any additional supplemental appropriations that may occur during the fiscal year.

In the current fiscal year, \$4.6 million had been set aside for prior year encumbrances and commitments, and there were no supplemental appropriations.

Excluding the \$4.6 million prior year encumbrance and commitment appropriation, the original general fund budget for the fiscal year 2004 was \$411.3 million, as compared to the prior year budget of \$415.2 million. General fund revenues and other resources were originally estimated at \$411.3 million.

However, during the fiscal year, actual revenues and other sources fell short of original estimates by \$21.0 million, with \$10.0 million of this amount related to a leveraged lease transaction involving the City's Convention Center that did not occur. Fiscal year 2003 resources fell short of original estimates by \$17.9 million. In response to the revenue shortfall, a number of actions were taken to reduce expenditures. Significant budget actions included:

- Application of a portion of surplus Justice Center project funds toward debt service which along with other transfers freed up \$8.4 million in general fund payments to capital fund.
- Slow down in filling vacant positions resulting in a net savings of \$0.9 million in the amount budgeted for personal services.
- Control of other discretionary spending resulting in total spending of \$4.2 million under budget in non-personal services.

As a result, the General Fund ended the year with a deficit of \$6.3 million. As of June 30, 2004, the unreserved fund balance of the General Fund was \$13.0 million on a cash basis.

CAPITAL ASETS AND DEBT ADMINISTRATION

Capital Assets

The City had invested \$2.5 billion in a broad range of capital assets, including fire equipment, park facilities, roads, bridges, runways and water systems. This amount represents a net increase for the current fiscal year (including additions and deductions) of \$253.8 million, or 11.4%, over last year.

The City of St. Louis, Missouri
Schedule of Changes in Capital Assets,
Net of Depreciation
(dollars in millions)

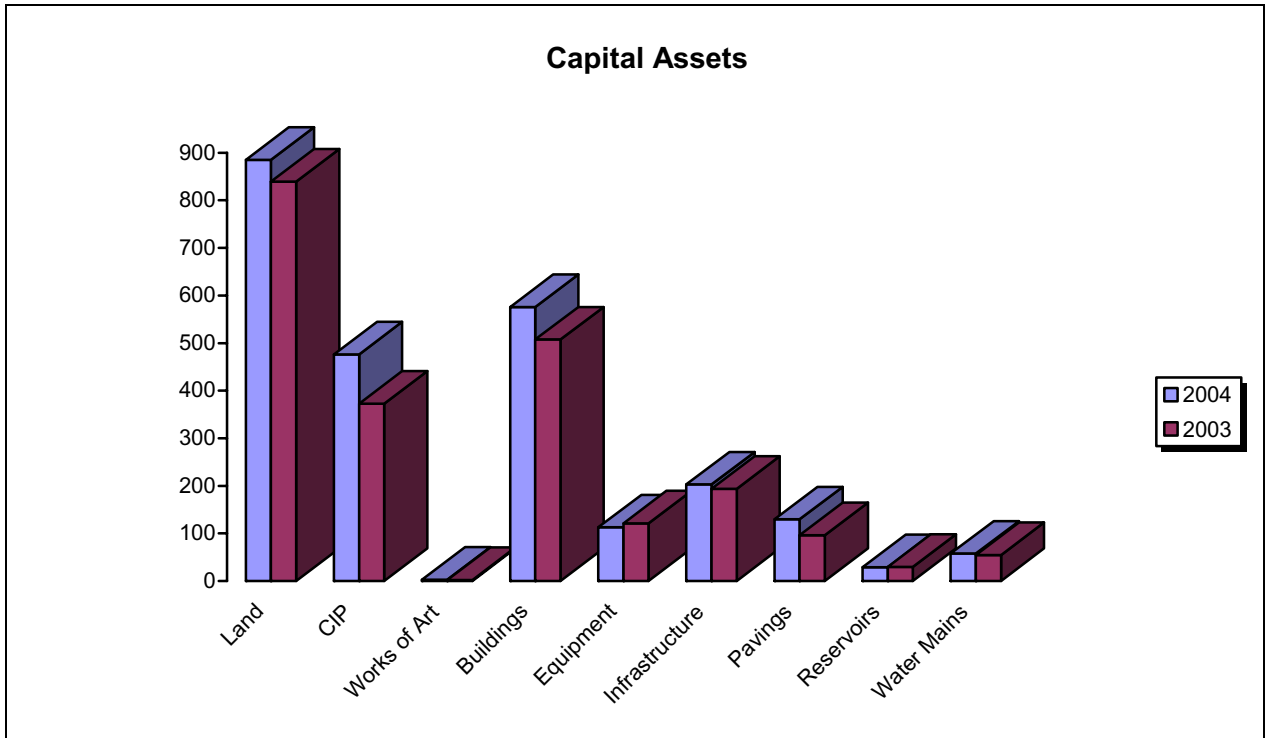
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	77.4	77.5	807.5	761.7	884.9	839.2
Construction in progress	85.7	91.5	390.5	281.2	476.2	372.7
Works of art	2.8	2.3			2.8	2.3
Buildings and improvements	357.0	304.5	218.6	203.0	575.6	507.5
Equipment	51.0	60.9	61.7	60.4	112.7	121.3
Infrastructure	202.9	193.8			202.9	193.8
Pavings			129.5	96.4	129.5	96.4
Reservoirs			29.1	29.5	29.1	29.5
Water mains, line, accessories			57.6	54.8	57.6	54.8
Total	776.8	730.5	1,694.5	1,487.0	2,471.3	2,217.5

This year's major capital asset additions included:

- \$ 38.0 million construction work in progress (CIP) addition in governmental activities. Total additions in governmental activities amount to \$50 million in governmental activities.
- \$174.3 million construction work in progress addition at the Airport.
- \$ 46.4 million land additions at the Airport.

The net decrease in construction in progress in governmental activities is due to the completion of the Justice Center. Its cost is now included in buildings and improvements.

There were no major capital asset additions for the Water Division or the Parking Division.



For government-wide financial presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

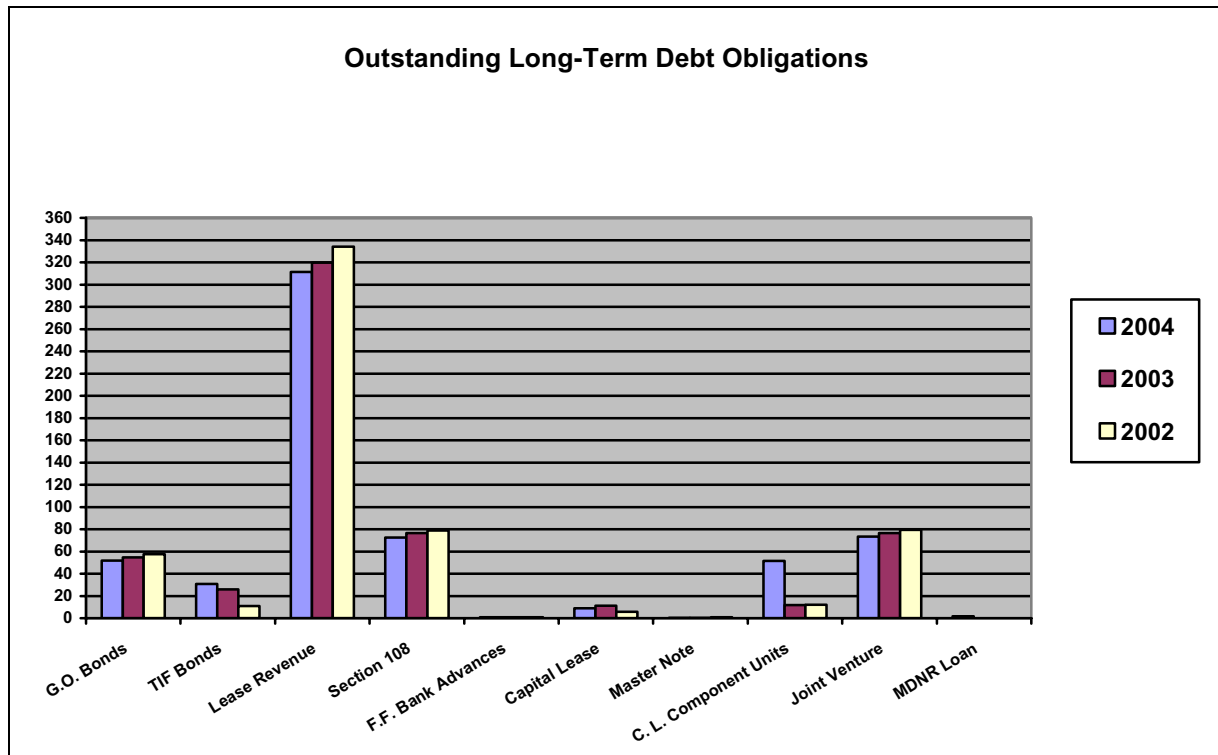
For additional information on capital assets, refer to note 7 in the notes to the basic financial statements.

Long-Term Debt

At the end of fiscal year 2004, the City had outstanding long-term debt obligations for governmental activities in the amount of \$603.1 million compared to \$577.4 million in fiscal year 2003. Of this amount, \$51.7 million are general obligation bonds and \$30.7 million are tax increment financing bonds. Lease revenue obligations outstanding totaled \$311.5 million. The increase of \$25.7 million in the City's long-term debt obligations reflects the recognition of \$40 million, St. Louis Development Corporation bonds for the purpose of providing funding for the construction of a convention center hotel and the issuance of various Tax Increment Financing bonds in the amount of \$14.7 million. The remaining reductions were due to normal scheduled retirements.

The City of St. Louis, Missouri
Outstanding Long-Term Debt Obligations – Governmental Activities
(dollars in millions)

	Fiscal Year 2004	Fiscal Year 2003	% Change
General obligation bonds	51.7	54.7	(5.5)
Tax increment financing bonds	30.7	25.9	18.5
Lease revenue obligations	311.5	319.7	(2.6)
Section 108 loan guarantee assistance	72.5	76.6	(5.4)
Federal financing bank advances	0.8	0.8	0.0
Capital lease	9.0	11.1	(18.9)
Master note purchase agreement	0.2	0.3	(33.3)
Obligations under capital leases with component units	51.4	11.8	335.6
Joint venture financing agreement	73.5	76.5	(3.9)
MDNR direct loan agreement	1.8	0.0	100.0
Total	603.1	577.4	4.5



State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The City's authorized debt limit for calendar year 2003 was \$336.3 million. The City's effective legal debt margin as of June 30, 2004 was \$284.6 million. For additional information on long-term debt, refer to the notes 13 to 17 in the basic financial statements.

The City's underlying general obligation credit ratings remained *unchanged* for fiscal year 2004. The City ratings on uninsured general obligation bonds as of June 30, 2004 were:

Moody's Investor's Service, Inc.	A3
Standard and Poor's Corporation	A-
Fitch IBCA, Inc. Ratings	A-

The City of St. Louis, Missouri
Outstanding Long-Term Debt Obligations – Business Type Activities
(dollars in millions)

	Fiscal Year 2004	Fiscal Year 2003	% Change
Airport	930.5	961.5	(3.2)
Water Division	36.7	38.9	(5.7)
Parking Division	68.1	62.5	5.6
Total	1,035.3	1,062.9	(2.6)

Outstanding revenue bonds of the business-type activities of the City as of June 30, 2004 and June 30, 2003 were \$1.035 billion. The amount reflects a decrease of \$27.6 million, 2.6%. This amount includes Airport bonds of \$930.5 million, Water Division bonds of \$36.7 million, and Parking Division bonds of \$68.1 million.

Economic Factors and Next Year's Budget

- The fiscal year 2005 annual operating budget allocates \$791.0 million among all budgeted funds.
- The fiscal year 2005 general fund budget is \$403.1 million, a decrease of 2.0 % over the previous fiscal year.
- The FY05 budget contains a combination of service efficiencies and cost reductions, elimination of cost of living pay adjustments and some new as well as one-time revenue sources. However, no draws on unreserved general fund balance have been budgeted.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives.

If you have any questions about this report or need additional information, please contact the Office of the Comptroller of the City of St. Louis, c/o Deputy Comptroller, City Hall-Room 311, Saint Louis, Missouri 63103.





City of St. Louis, Missouri
Statement of Net Assets
June 30, 2004
(dollars in thousands)

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	SLDC	SLPD	HSTRC	SWMDC
ASSETS							
Cash and cash equivalents	\$ 31,842	14,489	46,331	8,153	433	10	741
Investments	91,616	7,054	98,670	-	2,513	-	669
Receivables, net	125,160	26,392	151,552	11,954	577	-	-
Inventories	-	3,898	3,898	-	695	-	-
Restricted assets	56,612	520,958	577,570	2,428	683	-	-
Deferred charges	5,433	25,222	30,655	-	121	-	-
Internal balances	8,113	(8,113)	-	-	-	-	-
Other assets	57	602	659	538	6	50	-
Receivable from primary government	-	-	-	3,364	6,023	-	-
Receivable from component unit	1,193	-	1,193	-	-	-	-
Net pension asset	21,647	-	21,647	-	-	-	-
Property held for development	-	-	-	15,227	-	-	-
Capital assets, net							
Non-depreciable	165,836	1,197,993	1,363,829	4,914	1,646	-	-
Depreciable	610,919	496,585	1,107,504	13,155	22,100	-	5,394
Total assets	<u>1,118,428</u>	<u>2,285,080</u>	<u>3,403,508</u>	<u>59,733</u>	<u>34,797</u>	<u>60</u>	<u>6,804</u>
LIABILITIES							
Accounts payable and accrued liabilities	24,869	33,553	58,422	5,073	574	294	-
Accrued salaries and other benefits	10,151	3,462	13,613	-	4,866	204	-
Accrued interest payable	17,408	25,251	42,659	415	-	-	-
Deferred revenue	616	4,325	4,941	-	301	-	-
Other liabilities	2,722	-	2,722	-	71	10	-
Commercial paper payable	-	10,000	10,000	-	-	-	-
Payable to primary government	-	-	-	44	1,149	-	-
Payable to component units	8,987	400	9,387	-	-	-	-
Long-term liabilities:							
Due within one year	60,367	47,514	107,881	9,643	14,911	-	-
Due in more than one year	611,380	1,000,384	1,611,764	26,803	60,692	-	-
Total liabilities	<u>736,500</u>	<u>1,124,889</u>	<u>1,861,389</u>	<u>41,978</u>	<u>82,564</u>	<u>508</u>	<u>-</u>
NET ASSETS							
Invested in capital assets, net of related debt	329,535	928,652	1,258,187	4,749	18,224	-	5,394
Restricted:							
Debt service	38,574	150,070	188,644	2,219	671	-	-
Capital projects	36,088	10,178	46,266	-	-	-	-
Passenger facility charges	-	37,278	37,278	-	-	-	-
Other purposes	52,643	-	52,643	-	-	-	-
Unrestricted (deficit)	(74,912)	34,013	(40,899)	10,787	(66,662)	(448)	1,410
Total net assets	<u>\$ 381,928</u>	<u>1,160,191</u>	<u>1,542,119</u>	<u>17,755</u>	<u>(47,767)</u>	<u>(448)</u>	<u>6,804</u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Activities
For the year ended June 30, 2004
(dollars in thousands)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets								
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units					
					Governmental Activities	Business-type Activities	Total	SLDC	SLPD	HSTRC	SWMDC	
Primary Government:												
Governmental activities:												
General government	\$ 91,752	34,938	16,170	-	(40,644)	-	(40,644)	-	-	-	-	-
Convention and tourism	4,538	-	-	-	(4,538)	-	(4,538)	-	-	-	-	-
Parks and recreation	23,687	1,503	7	8,881	(13,296)	-	(13,296)	-	-	-	-	-
Judicial	47,897	12,152	9,157	-	(26,588)	-	(26,588)	-	-	-	-	-
Streets	53,937	7,373	19,720	-	(26,844)	-	(26,844)	-	-	-	-	-
Public safety:												
Fire	51,160	2,923	3,180	-	(45,057)	-	(45,057)	-	-	-	-	-
Police - Payment to SLPD	131,490	2,500	-	-	(128,990)	-	(128,990)	-	-	-	-	-
Other	55,257	9,180	2,348	-	(43,729)	-	(43,729)	-	-	-	-	-
Health and welfare	37,022	283	15,254	-	(21,485)	-	(21,485)	-	-	-	-	-
Public service	73,198	387	14,725	7,356	(50,730)	-	(50,730)	-	-	-	-	-
Community development	64,188	-	48,663	-	(15,525)	-	(15,525)	-	-	-	-	-
Interest and fiscal charges	38,501	-	-	-	(38,501)	-	(38,501)	-	-	-	-	-
Total governmental activities	672,627	71,239	129,224	16,237	(455,927)	-	(455,927)	-	-	-	-	-
Business-type activities:												
Airport	147,645	150,762	4,662	44,242	-	52,021	52,021	-	-	-	-	-
Water Division	41,641	41,594	-	-	-	(47)	(47)	-	-	-	-	-
Parking Division	14,095	11,945	-	-	-	(2,150)	(2,150)	-	-	-	-	-
Total business-type activities	203,381	204,301	4,662	44,242	-	49,824	49,824	-	-	-	-	-
Total primary government	\$ 876,008	275,540	133,886	60,479	(455,927)	49,824	(406,103)	-	-	-	-	-
Component Units:												
SLDC	24,160	10,734	13,200	-	-	-	-	(226)	-	-	-	-
SLPD	157,017	2,664	4,478	330	-	-	-	-	(149,545)	-	-	-
HSTRC	770	-	-	-	-	-	-	-	-	(770)	-	-
SWMDC	256	325	-	8	-	-	-	-	-	-	-	77
Total component units	\$ 182,203	13,723	17,678	338	-	-	-	(226)	(149,545)	(770)	-	77
General revenues:												
Taxes:												
Property taxes, levied for general purpose					48,656	-	48,656	-	-	-	-	-
Property taxes, levied for debt service					5,972	-	5,972	-	-	-	-	-
Sales taxes					117,859	-	117,859	-	-	-	-	-
Earnings/payroll taxes					148,081	-	148,081	-	-	-	-	-
Gross receipts taxes (includes franchise tax)					59,091	-	59,091	-	-	-	-	-
Miscellaneous taxes					18,331	-	18,331	-	-	-	-	-
Unrestricted investment earnings					2,693	8,168	10,861	185	27	108	-	5
Support provided by City of St. Louis, Missouri					-	-	-	-	131,490	-	-	-
On-behalf payment for pension contribution from the City of St. Louis, Missouri					-	-	-	-	4,116	-	-	-
Gain on sale of capital assets					1,869	-	1,869	-	-	-	-	-
Special item - recovery of legal judgment					2,972	3,400	6,372	-	230	-	-	-
Transfers					7,219	(7,219)	-	-	-	-	-	-
Total general revenues and transfers					412,743	4,349	417,092	185	135,863	108	-	5
Change in net assets					(43,184)	54,173	10,989	(41)	(13,682)	(662)	-	82
Net assets - beginning of year					425,112	1,106,018	1,531,130	17,796	(34,085)	214	-	6,722
Net assets - end of year				\$	381,928	1,160,191	1,542,119	17,755	(47,767)	(448)	-	6,804

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 30, 2004
(dollars in thousands)

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Grants Fund	Other Governmental Funds	
ASSETS					
Cash and cash equivalents:					
Restricted	\$ 2,810	-	-	9,011	11,821
Unrestricted	-	15,864	-	15,916	31,780
Investments:					
Restricted	24,274	19,086	-	1,431	44,791
Unrestricted	12,092	43,207	17,430	18,887	91,616
Receivables, net of allowances:					
Taxes	80,152	2,650	-	20,338	103,140
Intergovernmental	2,051	4,862	8,721	234	15,868
Charges for services	2,715	-	-	2,351	5,066
Notes and loans	-	-	-	186	186
Other	890	-	-	-	890
Due from component units	1,149	-	-	44	1,193
Due from other funds	17,711	-	-	6,568	24,279
Total assets	<u>143,844</u>	<u>85,669</u>	<u>26,151</u>	<u>74,966</u>	<u>330,630</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	3,337	7,971	12,035	1,066	24,409
Accrued salaries and other benefits	8,460	169	684	838	10,151
Due to component units	6,023	-	-	2,964	8,987
Due to other funds	863	140	13,494	314	14,811
Deferred revenue	52,647	39	-	11,182	63,868
Other liabilities	2,608	-	-	102	2,710
Total liabilities	<u>73,938</u>	<u>8,319</u>	<u>26,213</u>	<u>16,466</u>	<u>124,936</u>
Fund balances:					
Reserved:					
Encumbrances	1,069	42,612	-	6,724	50,405
Debt service	24,058	1,385	-	8,292	33,735
Capital projects	-	36,088	-	-	36,088
Unreserved, reported in:					
General fund	44,779	-	-	-	44,779
Special revenue funds	-	-	(62)	43,484	43,422
Capital projects fund	-	(2,735)	-	-	(2,735)
Total fund balances	<u>69,906</u>	<u>77,350</u>	<u>(62)</u>	<u>58,500</u>	<u>205,694</u>
Total liabilities and fund balances	<u>\$ 143,844</u>	<u>85,669</u>	<u>26,151</u>	<u>74,966</u>	<u>330,630</u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
For the year ended June 30, 2004
(dollars in thousands)

Total fund balances - governmental funds - balance sheet	\$ 205,694
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and therefore are not reported in the fund financial statements.	776,694
Various taxes related to fiscal year 2004 will be collected beyond the 60 day period used to record revenue in the fund financial statements. Revenue for this amount is recognized in the government-wide financial statements.	9,696
Property taxes are assessed by the City on January 1st of each calendar year, but are not due until December 31st. Taxes assessed on January 1, 2004 and payable on December 31, 2004 are deferred within the fund financial statements. However, revenue for this amount is recognized in the government-wide financial statements.	53,556
Internal service funds are used by management to charge the cost of risk management and mailroom services to the individual funds, generally on a cost reimbursement basis. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets, net of amounts due from enterprise funds.	(17,350)
The City reports a net pension asset on the statement of net assets to the extent contributions to the City's retirement plan exceeds the annual required contribution. This asset is not reported within the fund financial statements as it is not available to liquidate current financial obligations.	21,647
Bond issuance costs are reported in the governmental funds financial statements as expenditures when debt is issued, whereas the amounts are deferred and amortized over the life of the debt on the government-wide financial statements.	5,433
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as liabilities within the fund financial statements. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported on the government-wide statement of net assets. Also, during the year the City issued new debt and refunded some of its existing debt. Discounts, premiums, bond issuance costs, and deferred amounts on refunding are reported in the governmental fund financial statements when the debt was issued, whereas these amounts are deferred and amortized over the life of the debt on the government-wide financial statements.	
Balances as of June 30, 2004 are:	
Accrued compensated absences	(26,401)
Net pension obligation	(26,527)
Accrued interest payable on bonds	(17,408)
Landfill closure liability	(234)
Capital lease	(60,521)
Bonds and notes payable	(542,764)
Unamortized discounts	709
Unamortized premiums	(12,068)
Unamortized deferred amounts on refunding	11,772
Total net assets - governmental activities - statement of net assets	\$ <u>381,928</u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2004
(dollars in thousands)

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Grants Fund	Other Governmental Funds	
REVENUES					
Taxes	\$ 294,387	17,770	-	84,109	396,266
Licenses and permits	16,960	-	-	2,625	19,585
Intergovernmental	22,531	17,683	95,602	3,821	139,637
Charges for services, net	15,810	-	-	13,401	29,211
Court fines and forfeitures	8,906	-	-	401	9,307
Investment income	1,621	713	-	359	2,693
Interfund services provided	3,921	-	-	-	3,921
Miscellaneous	4,263	2,890	-	3,333	10,486
Total revenues	<u>368,399</u>	<u>39,056</u>	<u>95,602</u>	<u>108,049</u>	<u>611,106</u>
EXPENDITURES					
Current:					
General government	43,036	-	4,384	14,428	61,848
Convention and tourism	199	-	-	87	286
Parks and recreation	18,501	1,713	7	656	20,877
Judicial	40,059	-	4,680	2,510	47,249
Streets	28,695	3,929	-	1,352	33,976
Public Safety:					
Fire	49,375	-	-	19	49,394
Police	129,388	1,089	-	1,013	131,490
Other	45,013	-	1,634	7,691	54,338
Health and welfare	4,989	-	14,891	16,712	36,592
Public services	22,131	6,551	14,725	29,478	72,885
Community development	-	-	48,663	6,486	55,149
Capital outlay	-	44,512	-	328	44,840
Debt service:					
Principal	5,923	7,751	4,105	5,367	23,146
Interest and fiscal charges	13,909	5,197	4,446	5,186	28,738
Total expenditures	<u>401,218</u>	<u>70,742</u>	<u>97,535</u>	<u>91,313</u>	<u>660,808</u>
Excess (deficiency) of revenues over expenditures	<u>(32,819)</u>	<u>(31,686)</u>	<u>(1,933)</u>	<u>16,736</u>	<u>(49,702)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	1,869	-	-	1,869
Proceeds of government loan	-	-	1,953	-	1,953
Proceeds from tax increment revenue bonds and notes	-	-	-	14,766	14,766
Discount on tax increment revenue bonds	-	-	-	(40)	(40)
Payment to refunded tax increment revenue notes escrow agent	-	-	-	(7,747)	(7,747)
Recovery of legal judgment	2,972	-	-	-	2,972
Transfers in	24,458	10,634	-	2,764	37,856
Transfers out	<u>(1,419)</u>	<u>(9,257)</u>	<u>(20)</u>	<u>(19,941)</u>	<u>(30,637)</u>
Total other financing sources (uses), net	<u>26,011</u>	<u>3,246</u>	<u>1,933</u>	<u>(10,198)</u>	<u>20,992</u>
Net change in fund balances	<u>(6,808)</u>	<u>(28,440)</u>	<u>-</u>	<u>6,538</u>	<u>(28,710)</u>
Fund balances:					
Beginning of year	<u>76,714</u>	<u>105,790</u>	<u>(62)</u>	<u>51,962</u>	<u>234,404</u>
End of year	<u>\$ 69,906</u>	<u>77,350</u>	<u>(62)</u>	<u>58,500</u>	<u>205,694</u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2004
(dollars in thousands)

Net change in fund balances - governmental funds - statement of revenues, expenditures, and changes in fund balances \$ (28,710)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets, meeting the capitalization threshold, is allocated over their estimated useful lives and recorded as depreciation expense. Additionally, contributions of capital assets to the City are recorded as capital contributions on the statement of activities. This is the amount by which capital outlays and capital contributions, meeting the capitalization threshold, exceeded depreciation expense in the current year. 46,224

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. These amounts represent the extent to which revenues not providing current financial resources in the current fiscal year exceeded revenues not providing current financial resources in the prior fiscal year (which are recognized in the fund financial statements in the current year). Such amounts are attributable to the following factors:

Revenues received after the 60-day accrual period	(4,613)	
Property taxes due in the fiscal year following the fiscal year in which they were assessed	2,892	
		(1,721)

Internal service funds are used by management to charge the cost of risk management and mailroom services to the individual funds. The net income of internal service funds attributable to governmental activities is reported on the statement of activities. 158

The City reports a net pension asset or obligation on the statement of net assets to the extent actual contributions to the City's retirement plans exceed or fall below the annual required contribution. This asset or obligation is not reported in the fund financial statements. Fluctuations in net pension assets or obligations are reported in the statement of activities. (21,675)

Bond proceeds are reported as financing sources in governmental funds financial statements and thus contribute to the net change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds financial statements but reduces the liability in the statement of net assets.

Debt issued during the current year:		
Missouri Department of Natural Resources loan agreement	(1,953)	
Capital leases with component unit	(40,000)	
Tax increment financing bonds and notes payable	(14,766)	
Repayments during the current year:		
Advance refunding of tax increment revenue notes	7,747	
Annual principal payments on bonds and notes payable	20,703	
Annual principal payments on capital leases	2,443	
		(25,826)

Under the modified accrual basis of accounting used in the governmental funds financial statements, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

This adjustment combines the net changes of the following:

Accrued compensated absences	(1,890)	
Accrued interest payable on bonds	(10,022)	
Landfill closure liability	(14)	
Arbitrage rebate liability	435	
Discounts on debt issuances, net of amortization	(4)	
Premiums on debt issuances, net of amortization	1,201	
Deferred bond issuance costs, net of amortization	(205)	
Deferred advanced refunding differences on debt issuances, net of amortization	(1,135)	
		(11,634)

Change in net assets - governmental activities - statement of activities \$ (43,184)

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Fund Net Assets
Proprietary Funds
June 30, 2004
(dollars in thousands)

	Major Funds - Enterprise Funds				
	Lambert- St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents:					
Restricted cash and cash equivalents	\$ 105,681	1,874	6,182	113,737	-
Unrestricted cash and cash equivalents	9,355	2,292	2,842	14,489	62
Receivables, net of allowances:					
Intergovernmental	6,491	-	-	6,491	-
Charges for services	12,953	5,809	63	18,825	10
Accrued interest	1,076	-	-	1,076	-
Prepaid assets	-	-	-	-	57
Due from other funds	6	-	-	6	3,972
Inventories	1,986	1,912	-	3,898	-
Other current assets	585	17	-	602	-
Total current assets	138,133	11,904	9,087	159,124	4,101
Noncurrent assets:					
Investments:					
Restricted investments	384,203	17,246	5,772	407,221	-
Unrestricted investments	-	5,054	2,000	7,054	-
Capital assets:					
Property, plant, and equipment	732,385	243,437	56,872	1,032,694	205
Less accumulated depreciation	(426,301)	(100,890)	(8,918)	(536,109)	(144)
	306,084	142,547	47,954	496,585	61
Land	785,535	1,238	20,724	807,497	-
Construction in progress	382,533	7,963	-	390,496	-
Capital assets, net	1,474,152	151,748	68,678	1,694,578	61
Deferred charges and other assets	22,272	465	2,485	25,222	-
Total noncurrent assets	1,880,627	174,513	78,935	2,134,075	61
Total assets	2,018,760	186,417	88,022	2,293,199	4,162
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	2,640	3,146	168	5,954	460
Accrued salaries and other benefits	2,189	1,008	265	3,462	-
Accrued vacation, compensatory and sick time benefits	4,837	2,920	167	7,924	-
Contracts and retainage payable	27,376	-	223	27,599	-
Accrued interest payable	23,776	863	612	25,251	-
Current portion of revenue bonds	35,775	2,365	1,450	39,590	-
Commercial paper payable	10,000	-	-	10,000	-
Due to other funds	3,159	2,736	727	6,622	6,824
Due to component unit	-	-	400	400	-
Claims payable	-	-	-	-	15,713
Deferred revenue	807	1,351	2,167	4,325	-
Total current liabilities	110,559	14,389	6,179	131,127	22,997
Noncurrent liabilities:					
Revenue bonds payable, net	893,248	32,654	64,003	989,905	-
Deposits held for others	-	1,354	-	1,354	-
Other liabilities	6,090	2,460	575	9,125	12
Total noncurrent liabilities	899,338	36,468	64,578	1,000,384	12
Total liabilities	1,009,897	50,857	70,757	1,131,511	23,009
NET ASSETS					
Invested in capital assets, net of related debt	806,056	117,066	5,530	928,652	61
Restricted:					
Debt service	130,527	7,588	11,955	150,070	-
Capital projects	-	10,178	-	10,178	-
Passenger facility charges	37,278	-	-	37,278	-
Unrestricted (deficit)	35,002	728	(220)	35,510	(18,908)
Total net assets	\$ 1,008,863	135,560	17,265	1,161,688	(18,847)

Amounts reported for business-type activities in the government-wide statement of net assets are different because:

Certain internal service fund assets are included within business-type activities (1,497)

Net assets of business-type activities - government-wide statement of net assets \$ 1,160,191

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2004
(dollars in thousands)

	Major Funds - Enterprise Funds				
	Lambert- St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES					
Aviation revenues	\$ 70,695	-	-	70,695	-
Concessions	31,604	-	-	31,604	-
Water sales	-	38,698	-	38,698	-
Lease revenue	16,135	-	-	16,135	-
Parking	894	-	11,945	12,839	-
Charges for services	-	-	-	-	33,278
Miscellaneous	-	2,896	-	2,896	-
Total operating revenues	<u>119,328</u>	<u>41,594</u>	<u>11,945</u>	<u>172,867</u>	<u>33,278</u>
OPERATING EXPENSES					
Claims incurred	-	-	-	-	34,974
Premiums	-	-	-	-	3,204
Personal services	36,074	15,689	5,351	57,114	214
Material and supplies	4,815	6,952	195	11,962	336
Purchased power	-	2,874	-	2,874	-
Contractual services	30,847	3,715	1,177	35,739	1,795
Miscellaneous	-	1,934	313	2,247	-
Depreciation and amortization	30,468	4,445	1,761	36,674	21
Interfund services used	1,886	1,955	80	3,921	-
Total operating expenses	<u>104,090</u>	<u>37,564</u>	<u>8,877</u>	<u>150,531</u>	<u>40,544</u>
Operating income (loss)	<u>15,238</u>	<u>4,030</u>	<u>3,068</u>	<u>22,336</u>	<u>(7,266)</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	4,662	-	-	4,662	-
Investment income	7,403	467	298	8,168	-
Interest expense	(40,757)	(2,041)	(2,929)	(45,727)	(1)
Passenger facility charges	31,434	-	-	31,434	-
Amortization of bond issue costs	(2,206)	(72)	-	(2,278)	-
Loss on disposal of capital assets	-	(77)	(1,145)	(1,222)	(12)
Loss on defeasance of bonds	-	-	(917)	(917)	-
Recovery of legal judgment	-	3,400	-	3,400	6,372
Legal judgment	-	(200)	-	(200)	-
Miscellaneous, net	(135)	(1,153)	(153)	(1,441)	-
Total nonoperating revenues (expenses), net	<u>401</u>	<u>324</u>	<u>(4,846)</u>	<u>(4,121)</u>	<u>6,359</u>
Income before transfers and contributions	<u>15,639</u>	<u>4,354</u>	<u>(1,778)</u>	<u>18,215</u>	<u>(907)</u>
Transfers in	-	-	714	714	-
Transfers out	(5,434)	(2,349)	(150)	(7,933)	-
Capital contributions	44,242	-	-	44,242	-
Change in net assets	<u>54,447</u>	<u>2,005</u>	<u>(1,214)</u>	<u>55,238</u>	<u>(907)</u>
Total net assets - beginning of year	<u>954,416</u>	<u>133,555</u>	<u>18,479</u>	<u>(17,940)</u>	<u>(17,940)</u>
Total net assets - end of year	<u>\$ 1,008,863</u>	<u>135,560</u>	<u>17,265</u>	<u>(18,847)</u>	<u>(18,847)</u>

Change in net assets reported for business-type activities in the government-wide statement of activities are different because:

Certain internal service fund assets are included within business-type activities	(1,065)
Change in net assets of business-type activities - government-wide statement of activities	\$ <u>54,173</u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2004
(dollars in thousands)

	Major Funds - Enterprise Funds				
	Lambert- St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 114,233	40,251	11,846	166,330	-
Receipts from interfund services provided	-	-	-	-	40,803
Other operating cash receipts	894	-	108	1,002	-
Payments to suppliers of goods and services	(36,238)	(13,047)	(1,227)	(50,512)	(40,495)
Payments to employees	(33,633)	(14,458)	(4,923)	(53,014)	(214)
Payments for interfund services used	(2,740)	(2,737)	-	(5,477)	-
Net cash provided by (used in) operating activities	<u>42,516</u>	<u>10,009</u>	<u>5,804</u>	<u>58,329</u>	<u>94</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	714	714	-
Transfers to other funds	(5,434)	(2,360)	(525)	(8,319)	-
Cash paid for financing of retirement plan	(312)	-	-	(312)	-
Net cash provided by (used in) noncapital financing activities	<u>(5,746)</u>	<u>(2,360)</u>	<u>189</u>	<u>(7,917)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Cash collections from passenger facility charges	31,434	-	-	31,434	-
Receipts from federal financing assistance	46,715	-	-	46,715	-
Acquisition and construction of capital assets	(211,519)	(7,915)	(24,750)	(244,184)	(31)
Proceeds from sale of capital assets	18	-	6,958	6,976	-
Proceeds from issuance of revenue bonds payable	-	-	13,127	13,127	-
Proceeds from issuance of commercial paper	10,000	-	-	10,000	-
Cash paid for bond issuance and underwriting costs	(770)	-	-	(770)	-
Principal paid on revenue bond maturities	(27,725)	(2,235)	(993)	(30,953)	-
Cash paid for bond refunding	(3,285)	-	(7,695)	(10,980)	-
Cash paid for interest	(47,906)	(1,776)	(2,788)	(52,470)	(1)
Other capital and financing activities	-	(1,171)	-	(1,171)	-
Net cash provided by (used in) capital and related financing activities	<u>(203,038)</u>	<u>(13,097)</u>	<u>(16,141)</u>	<u>(232,276)</u>	<u>(32)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(2,699,282)	(135,721)	(16,043)	(2,851,046)	-
Proceeds from sales and maturities of investments	2,819,136	136,534	22,778	2,978,448	-
Investment income	12,494	480	404	13,378	-
Net cash provided by (used in) investing activities	<u>132,348</u>	<u>1,293</u>	<u>7,139</u>	<u>140,780</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>(33,920)</u>	<u>(4,155)</u>	<u>(3,009)</u>	<u>(41,084)</u>	<u>62</u>
Cash and cash equivalents:					
Beginning of year:					
Unrestricted	7,981	2,082	4,981	15,044	-
Restricted	140,975	6,239	7,052	154,266	-
	<u>148,956</u>	<u>8,321</u>	<u>12,033</u>	<u>169,310</u>	<u>-</u>
End of year:					
Unrestricted	9,355	2,292	2,842	14,489	62
Restricted	105,681	1,874	6,182	113,737	-
	<u>\$ 115,036</u>	<u>4,166</u>	<u>9,024</u>	<u>128,226</u>	<u>62</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 15,238	4,030	3,068	22,336	(7,266)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	30,468	4,445	1,761	36,674	21
Recovery of legal judgment	-	-	-	-	6,372
Changes in assets and liabilities:					
Receivables, net	935	(1,216)	(10)	(291)	(10)
Inventories	163	(38)	-	125	-
Other assets, net	(157)	-	5	(152)	(6)
Accounts payable and accrued liabilities	(220)	1,636	120	1,536	40
Accrued salaries and other benefits	37	103	87	227	-
Claims payable	-	-	-	-	(9,143)
Deferred revenue	(5,992)	218	20	(5,754)	-
Due to/from other funds	(275)	(276)	413	(138)	10,074
Deposits held for others	-	32	-	32	-
Other long term liabilities	2,319	1,075	340	3,734	12
Total adjustments	<u>27,278</u>	<u>5,979</u>	<u>2,736</u>	<u>35,993</u>	<u>7,360</u>
Net cash provided by (used in) operating activities	<u>\$ 42,516</u>	<u>10,009</u>	<u>5,804</u>	<u>58,329</u>	<u>94</u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004
(dollars in thousands)

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents - unrestricted	\$ 10,127	26,260
Investments - unrestricted	-	10,516
Pension trust investments - unrestricted:		
U. S. government securities	90,012	-
Corporate bonds	107,049	-
Domestic bond funds	73,503	
Stocks	774,462	-
Foreign government obligations	18,860	-
Mortgage-backed securities	95,674	-
FHA mortgages	29	-
Collective investment funds	181,692	-
Money market mutual funds	37,004	-
Managed international equity funds	55,474	-
Total pension trust investments	<u>1,433,759</u>	<u>-</u>
Receivables, net of allowances:		
Taxes	-	16,723
Contributions	14,431	-
Accrued interest	3,425	-
Other	10,340	205
Prepaid expenses	7	-
Capital assets	459	-
Total assets	<u>1,472,548</u>	<u>53,704</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,708	345
Deposits held for others	42	29,069
Due to other governmental agencies	-	24,290
Other liabilities	21,441	-
Total liabilities	<u>23,191</u>	<u>53,704</u>
NET ASSETS		
Net assets held in trust for pension benefits	\$ <u><u>1,449,357</u></u>	<u><u>-</u></u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2004
(dollars in thousands)

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Members	\$ 6,991
Employers	37,792
Investment income:	
Interest and dividends	29,682
Net appreciation in fair value of investments	<u>169,646</u>
	199,328
Less investment expense	<u>(5,080)</u>
Net investment income	<u>194,248</u>
Total additions	<u>239,031</u>
DEDUCTIONS	
Benefits	89,332
Refunds of contributions	3,240
Administrative expense	<u>2,397</u>
Total deductions	<u>94,969</u>
Net increase	144,062
Net assets held in trust for pension benefits:	
Beginning of year	<u>1,305,295</u>
End of year	<u>\$ <u>1,449,357</u></u>

See accompanying notes to basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Louis, Missouri (the City) is a constitutional charter City not a part of any county, which is organized and exists under and pursuant to the constitution and laws of the State of Missouri (the State). The City's current form of government is provided for in its charter, which first became effective in 1914 and has been subsequently amended by City voters. The City provides a wide range of municipal services as follows: fire and other public safety; parks and recreation; forestry; health, welfare, and other social services; street maintenance; refuse collection; public services; community and economic development; convention and tourism; and general administrative services. The City also owns and operates a water utility, parking facilities, and an international airport as self-supporting enterprises.

The accounting policies and financial reporting practices of the City conform to accounting principles generally accepted in the United States of America applicable to governmental entities. The following is a summary of the more significant policies:

a. Reporting Entity

The City's financial reporting entity has been determined in accordance with governmental standards for defining the reporting entity and identifying entities to be included in its basic financial statements. The City's financial reporting entity consists of the City of St. Louis (the primary government) and its component units.

1) Blended Component Units

The component units discussed below are included in the City's reporting entity due to the significance of their operational or financial relationships with the City.

Public Facilities Protection Corporation (PFPC)

The PFPC is an internal service fund governed by a five-member board of persons in designated City positions. The PFPC is reported as if it were part of the primary government because its sole purpose is to provide the City with a defined and funded self-insurance program for claims, judgments, and other related legal matters including workers' compensation.

St. Louis Municipal Finance Corporation (SLMFC)

The SLMFC, established in 1991, is governed by a five-member board, consisting of persons in designated City positions. The SLMFC is reported as if it were part of the primary government because its sole purpose is to lessen the burden on the City by financing, acquiring, leasing, or subleasing real property, and improvement thereon, and personal property to the City.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

St. Louis Municipal Finance Corporation (SLMFC—II)

The SLMFC—II, established in 1993, is governed by a five-member board of persons in designated City positions. The SLMFC—II is reported as if it were part of the primary government because its sole purpose is to lessen the burden on the City by financing, acquiring, leasing, or subleasing real property, and improvements thereon, and personal property to the City.

St. Louis Parking Commission Finance Corporation (SLPCFC)

The SLPCFC, established in 2003, is governed by a five-member board as appointed by the Parking Commission. The SLPCFC finances the purchase of and owns, leases and sells certain real property on behalf of the Parking Commission. SLPCFC is considered to be a component unit of the City because the Parking Division of the City is financially accountable for SLPCFC, as it appoints all of SLPCFC's directors and is able to impose its will on SLPCFC. The SLPCFC provides services entirely to the Parking Division and is reported as if it were part of the Parking Division because its sole purpose is to lessen the burden on the Parking Division by coordinating real property transactions.

2) Discretely Presented Component Units

The component units columns in the statement of net assets and statement of activities include the financial data of the City's four discretely presented component units. These are reported individually to emphasize that they are legally separate from the City.

St. Louis Development Corporation (SLDC)

The SLDC was organized in 1988 to improve the efficiency and effectiveness of the economic development activity of the City. SLDC combined the administrative staffs of six independent development agencies for the purpose of coordinating administrative services for all six agencies. The agencies that are considered component units of SLDC are the Land Reutilization Authority, the Land Clearance for Redevelopment Authority (LCRA), the St. Louis Industrial Development Authority, the Planned Industrial Expansion Authority, the Local Development Company, and the St. Louis Port Authority. SLDC is included as a component unit of the City because the City is financially accountable for SLDC, as SLDC is fiscally dependent upon the City.

The Metropolitan Police Department of the City of St. Louis, Missouri (SLPD)

The SLPD, established by state statute, is administered by a five-member board of commissioners, the mayor, and four members appointed by the governor. The City is obligated to provide a minimum level of funding for the operations of the SLPD. SLPD's operating budget is prepared and submitted to the City for approval. SLPD has no authority to levy a tax or issue debt in its name and, therefore, is fiscally dependent on the City for substantially all of its funding.

Harry S. Truman Restorative Center, City Counselor, Receiver (HSTRC)

The HSTRC is a 220-bed skilled nursing facility operated as a not-for-profit entity supported by the City and located in a City-owned building. Under court-ordered receivership, the City has administrative responsibility for HSTRC and appoints a voting majority of HSTRC's advisory board. This advisory board consists of one representative from each of the offices of the mayor, comptroller, president of the board of aldermen, and the city counselor (the Receiver), as well as two executive employees of HSTRC. The City is able to impose its will on HSTRC.

The dissolution of HSTRC and plan of liquidation was announced on March 13, 2003. HSTRC continued operations until the last resident was discharged on May 9, 2003. Activities relating to the operations of HSTRC ceased on May 31, 2003. The accompanying financial statements of HSTRC were therefore valued on a liquidation basis and are as of May 31, 2004.

Solid Waste Management and Development Corporation (SWMDC)

The SWMDC owns a system of underground pressurized steam transport pipe in the downtown St. Louis area commonly known as the "steam loop." The steam loop is leased on a long-term basis to a steam-generating private entity unrelated to the City. The steam loop serves City Hall and other municipal buildings, and is the only non-private source of steam in downtown St. Louis. The City appoints a voting majority of SWMDC's board of directors. The board of directors consists of representatives of the president of the Board of Public Service (Chairperson), deputy mayor/chief of staff, and director of the Street Department. Separate financial statements are not prepared for SWMDC. SWMDC is directed by employees of the City and, therefore, the City is able to impose its will on SWMDC.

Complete financial statements of the discretely presented component units other than SWMDC may be obtained from their administrative offices as follows:

St. Louis Development Corporation
1015 Locust Street
St. Louis, Missouri 63101

The Metropolitan Police Department of the City
of St. Louis, Missouri
1200 Clark Avenue
St. Louis, Missouri 63103

Harry S. Truman Restorative Center
c/o City Counselor's Office
City Hall
1200 Market Street
St. Louis, Missouri 63103

3) Related Organizations

The City's officials are also responsible for appointing the voting majority of board members for other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. Thus, no financial data for these organizations are included in the City's basic financial statements. These related organizations include the Mental Health Board, the St. Louis

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

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(dollars in thousands)

Housing Authority, the St. Louis Office for Mental Retardation & Developmental Disability Resources, and the St. Louis Public Library.

4) Joint Venture**St. Louis Regional Convention and Sports Complex Authority (Authority)**

The Authority, established in 1990 as a separate legal entity by an Act of the Missouri State legislature, is governed by an 11-member board of commissioners. The mayor of the City and the county executive of St. Louis County, Missouri (the County) each appoint three members and the governor of the State appoints the remaining five commissioners. The Authority is considered a joint venture of the City, County, and State because the three governments have entered into a contractual agreement with the Authority to sponsor the issuance of convention facility bonds, to repay the facility bonds through rental payments to the Authority, and to make annual preservation payments for facility maintenance and renovations, all of which create an ongoing financial responsibility of the City. The Authority is subject to joint control of the City, County, and State. Complete financial statements for the Authority can be obtained from the Authority's administrative offices at 901 North Broadway, St. Louis, Missouri 63101.

b. Government-wide and Fund Financial Statements

The government-wide financial statements (that is, the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges for services. Likewise, the City is reported separately from certain legally separate component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from good, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenues not properly included among program revenues are reported instead as general revenues.

Following the government-wide financial statements are separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has determined that the general fund, the capital projects fund, and the grants fund are major governmental funds. All other governmental funds are reported in one column labeled "Other Governmental Funds". The total fund balances for all governmental funds is reconciled to total net assets for governmental activities as shown on the statement of net assets. The net change in fund balance for all governmental funds is reconciled to the total change in net assets as shown on the statement of activities in the government-wide statements. The City has three enterprise funds (business-type activities): Lambert-St. Louis International Airport (Airport), Water Division, and Parking Division. Each of these enterprise funds is a major fund within the fund financial

statements. Additionally, the City has three internal service funds (governmental activities): PFPC, mailroom services, and health. All internal service fund activity is combined into a single column on the proprietary fund statements, since major fund reporting requirements do not apply to internal service funds.

The fund financial statements of the City are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures, or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

1) Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The acquisition, uses, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the City's governmental major funds:

General Fund—The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund—The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. This fund accounts for acquisition or construction of capital improvements, renovations, remodeling, and replacement for the City's major capital projects.

Grants Fund—The grants fund is a special revenue fund that is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. The grants fund accounts for the majority of the City's federal grant programs received from the U.S. Department of Health and Human Services, U.S. Department of Housing and Urban Development, U.S. Department of Justice, U.S. Department of Labor, U.S. Department of Transportation, and various other federal agencies.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

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(dollars in thousands)

The other governmental funds of the City are considered nonmajor. They are special revenue funds, which account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes, and a debt service fund, which accounts for the accumulation of resources for, and repayment of, general obligation long-term debt principal, interest, and related costs.

2) Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is on the determination of net income and capital maintenance.

The following are the City's proprietary fund types:

Enterprise—Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (including depreciation) of operations are financed primarily through user charges. Enterprise funds have been established for the Airport, the Water Division, and the Parking Division. The Airport is used to account for the activities of the Airport. The principal services provided are financed primarily through landing fees and terminal concession revenues. The Water Division is used to account for sale of water to the general public and the operation of the water delivery system. The Parking Division is used to account for the operation of public parking facilities and parking meters. Each of the enterprise funds is a major fund in the fund financial statements.

Internal Service—Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. An internal service fund has been established for PFPC, mailroom services, and health. The PFPC fund is used to account for payment of workers' compensation and various other claims against legal actions on behalf of other funds. The mailroom services fund is used to account for mail-handling services provided to other funds. The health fund is used to account for payment of health insurance claims for participants.

In the government-wide and proprietary fund financial statements, the City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as the following private-sector pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

3) Fiduciary Fund Types

Trust and Agency—Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These include pension trust funds and agency funds. Pension trust funds are accounted for and reported similar to proprietary funds. The pension trust funds account for the Firemen's Retirement System of St. Louis, Police Retirement System of St. Louis, and the Employees' Retirement System of the City of St. Louis pension benefits. Agency funds are accounted for using the accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of the collector of revenue, property tax escrow, general insurance, bail bonds, license collector, circuit clerk, and other agency operations.

c. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund, pension trust fund, agency fund and discretely presented component unit financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. At year-end, entries are recorded for financial reporting purposes to reflect the modified accrual basis of accounting for governmental funds types, and the accrual basis of accounting for the proprietary fund types, pension trust funds, and agency funds.

Under the modified accrual basis of accounting, revenues are recorded when both measurable and available. The term "available" is defined as collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. For the City, available is defined as expected to be received within 60 days of fiscal year-end, except for government grants, which is within 120 of fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due (that is, matured).

GASB Statement No. 33 groups nonexchange transactions into the following four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government mandated nonexchange transactions, and voluntary nonexchange transactions.

The City recognizes assets from derived tax revenue transactions (such as city earnings and payroll taxes, sales and utilities gross receipt taxes) in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

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(dollars in thousands)

recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenues until the period of the exchange.

The City recognizes assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or the first period that use is permitted. The City recognizes revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, in the period for which the taxes are levied. Imposed nonexchange revenues also include permits, court fines, and forfeitures.

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB Statement No. 33, have been met. Any resources received before eligibility requirements are met are reported as deferred revenues.

Charges for services in the governmental funds, which are exchange transactions and are, therefore, not subject to the provisions of GASB Statement No. 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

Under the accrual basis of accounting used by the proprietary fund types and pension trust funds, revenues are recognized when earned and expenses are recognized when incurred. Unbilled service revenues are accrued by the Airport and Water Division based on estimated billings for services provided through the end of the current fiscal year.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Airport enterprise fund are revenues from airlines, concessions, and parking. Transactions that are capital-, financing-, or investing-related are reported as nonoperating revenues. The principal operating revenues of the Water Division enterprise fund, the Parking Division enterprise fund, and internal service funds are charges to customers for sales and services. All expenses related to operating the Airport enterprise fund are reported as operating expenses. Interest expense, financing costs, and miscellaneous expenses are reported as nonoperating expenses. Operating expenses for the Water Division enterprise fund, the Parking Division enterprise fund, and internal service funds include the cost of sales and services, administrative expenses, and depreciation and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as they are needed.

For the pension trust funds, under the accrual basis of accounting, contributions are recognized in the period in which the contributions are due and benefits are recognized when they become due and payable.

d. Property Taxes

Taxes are levied annually in November based on the assessed valuation of all real and personal property located in the City as of the previous January 1. The City tax rate levied in November 2003 was \$1.5623 per \$100 of assessed valuation of which \$1.411 is for the general fund and \$.1513 is for the debt service fund. Taxes are billed in November and are due and collectible on December 31. All unpaid taxes become delinquent on January 1 of the following year and attach as an enforceable lien on the related property at that date.

e. Cash and Investments

The City treasurer maintains a cash and investment pool that is available for use by all funds including certain component units, except pension trust funds. In accordance with the City's budget ordinance the majority of investment income is considered earned by the general fund except for earnings otherwise legally restricted for a specific purpose. Income from investments associated with one fund is not assigned to another fund for other than legal or contractual reasons. In addition, cash and investments are separately maintained by other City officials, several of the City's departments and third-party trustee and fiscal agents.

Investments are recorded at fair value. Fair values for investments are determined by closing market prices at year-end as reported by the investment custodian. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments.

f. Inventories

Purchase of materials and supplies in the governmental fund types are charged to expenditures as incurred. Amounts of inventories in such funds are immaterial. For the enterprise fund type, inventories are recorded at cost using a method that approximates the first-in, first-out method or the moving average cost method, and the expense is recognized when inventories are consumed in operations.

g. Capital Assets

1) Governmental Activities Capital Assets

Capital assets, which include buildings, improvements, equipment, and infrastructure assets (for example, roads, bridges, docks, promenade, traffic signals, and similar items), are reported in the governmental activities column in the government-wide financial statements, net of accumulated depreciation. Capital assets are defined by the City as assets with an estimated useful life in excess of one year with an initial, individual cost of \$5 or more, infrastructure with a cost of \$500 or more, building improvements with a cost of \$100 or more, and all land, land improvements, and buildings.

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2001 consist of the road network and other infrastructure assets that were acquired or that received substantial improvements subsequent to June 30, 1980 and are reported at estimated historical cost using deflated replacement cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

The City has determined that all works of art and historical treasures other than the City's statues, monuments, and fountains meet the definition of a collection and, accordingly, has not capitalized these assets. A collection is defined as:

- Held for public exhibition and education;
- Protected, cared for, and preserved; and
- Subject to an organizational policy that requires the proceeds from the sale to be used to acquire other items for the collection.

The City has adopted a policy related to the sale of these assets, stating that the proceeds from the sale of any City-owned collections, in part or in its entirety, will be used for the acquisition of collection items.

All City-owned statues, monuments, and fountains are capitalized at their historic cost based upon original acquisition or construction documents or estimates of original costs. Because of the nature of these assets and the manner in which the City maintains its historic treasures, these assets are considered inexhaustible and, therefore, are not subject to depreciation.

Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets, except for roads, which is computed using the composite method. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Buildings	40
Improvements other than buildings	20 to 40
Equipment	5 to 15
Infrastructure	18 to 50

2) Business-type Activities Capital Assets

Capital assets for the Airport, Water Division, Parking Division, and mailroom are reported in the business-type activities column in the government-wide financial statements, net of accumulated depreciation.

3) Airport

Capital assets are recorded at cost. Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets. Land is recorded at cost that, in addition to the purchase price, includes appraisal and legal fees, demolition, and homeowner relocation costs. Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and amortized over the life of the related asset. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Pavings	18 to 25
Buildings and facilities	20 to 30
Equipment	2 to 20

4) Water Division

Capital assets were originally recorded in the accounts in 1958, and were based on an engineering study of the historical cost of properties constructed by employees of the Water Division. Accumulated depreciation at the date the assets were recorded was established after a review by a consulting firm.

Additions to capital assets subsequent to 1958 are recorded at historical cost. Provisions for depreciation of capital assets are computed on a straight-line basis over the estimated useful lives of the assets and are charged to operating expenses. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Buildings and structures	44 to 55
Reservoirs	44 to 55
Boiler plant equipment	44 to 55
Pumping equipment	28 to 44
Purification basins and equipment	50 to 100
Water mains, lines, and accessories	50 to 100
Equipment	5 to 25
Motor vehicle equipment	5

Net interest costs on funds borrowed to finance the construction are capitalized and depreciated over the life of the related asset.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

5) Parking Division

Capital assets are recorded at historical cost, including applicable interest incurred during the construction period. Donated capital assets are recorded at estimated fair market value at the date of donation. The contributions are reflected as capital contributions. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Buildings and parking garages	20 to 40
Equipment	5 to 15
Parking meters and lot equipment	5 to 10

6) Mailroom

Capital assets are recorded at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful life of equipment, other than computer equipment, is 10 years. The estimated useful life of computer equipment is five years.

7) Component Unit—SLDC

SLDC's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost. Historically, SLDC maintained infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair market value on the date donated. SLDC generally capitalizes assets with costs of \$2,500 (not in thousands) or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

	<u>Years</u>
Buildings and structures	40
Improvements other than buildings (includes infrastructure)	3 to 15
Furniture, fixtures, and equipment	5 to 10

8) Component Unit—SLPD

Capital assets are capitalized at cost or estimated historical cost. Donated capital assets are valued at estimated fair market value as of the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets over the capitalization levels are depreciated. SLPD's capitalization threshold is \$5.

Depreciation is computed using the straight-line method (with the ½-year convention election applied in the first and last year) over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	50 to 100
Furniture and fixtures and other equipment	5
Automotive equipment	3
Communication equipment	5
Computer and software	3
Aircraft	6

9) Component Unit—SWMDC

Capital assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives to the depreciable capital assets. The estimated useful lives of infrastructure is 30 to 40 years.

h. Long-term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets/statement of fund net assets.

i. Passenger Facility Charges (PFCs)

The Airport collects a \$4.50 (in dollars) facility charge per enplaned passenger to fund approved Federal Aviation Administration (FAA) projects. The PFC is withheld by the respective airlines for each ticket purchased and passenger transfer made in St. Louis and remitted to the Airport one month after the month of receipt, less an \$.08 (in dollars) per ticket operating fee retained by the airlines. As information pertaining to PFC activity is not available to the Airport prior to receipt of PFC remittances from the airlines, PFC revenue is recognized as received, and is classified as nonoperating revenue.

j. Capital Contributions

Capital contributions to the proprietary fund type represent government grants and other aid used to fund capital projects. Capital contributions are recognized as revenue when the expenditure is made and amounts become subject to claim for reimbursement. Amounts received from other governments by the proprietary fund type, which are not restricted for capital purposes, are reflected as nonoperating intergovernmental revenue.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

k. Capitalization of Interest

Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and depreciated over the life of the related asset for business-type activities and proprietary fund types. Interest is not capitalized for governmental activities or governmental fund types.

l. Amortization

In government-wide financial statements and the proprietary fund types in the fund financial statements, bond discounts are recorded as a reduction of the debt obligation, bond premiums are recorded as an addition to the debt obligation, and bond issuance costs are recorded as a deferred charge. Such amounts are amortized using the interest method or bonds-outstanding method over the term of the related revenue bonds. The deferred amount on refunding is amortized as a component of interest expense over the remaining life of the bonds using the bonds-outstanding method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

m. Compensated Absences

The City grants vacation to full-time and part-time employees who work 50% of full-time or more based on years of continuous service. Compensatory time is granted to certain employees for hours worked in excess of a normal week that are not taken within the current bi-weekly pay period. These benefits are allowed to accumulate and carry over, with limitations, into the next calendar year and will be paid to employees upon departure from service for any reason. The entire accrued benefit liability related to the City's compensated absences has been recorded in the government-wide financial statements and in the proprietary funds in the fund financial statements. Certain amounts have been recorded in the governmental fund financial statements, since such amounts came due (that is, matured) during the fiscal year ended June 30, 2004.

Nonuniformed employees retiring after June 30, 2001 who have an unused sick leave balance may, at retirement, elect to receive payment for one-half of the sick leave balance. As an estimate of the portion of sick leave that will result in termination payments, a liability has been recorded on the government-wide financial statements and the proprietary funds in the fund financial statements representing one-half of the accumulated sick leave balances for those employees who will be eligible to retire within five years.

Component Unit—SLPD

Banked overtime is granted to certain employees for hours worked in excess of their normal workday that are not taken within the current bi-weekly pay period. Banked overtime is allowed to accumulate up to 40 hours and will be paid to employees upon resignation, retirement, or death.

Vacation is granted to all full-time employees based on years of continuous service.

Both commissioned and civilian employees accumulate sick leave hours and will be paid a minimum of 25% of their unused sick leave upon termination of employment. The liability for accrued sick leave pay has been calculated using the vesting method. Commissioned and civilian employees retiring from SLPD with 1600+ hours of sick leave accrued and 20+ years of service will be paid 25% of their unused sick leave plus one additional month's salary. Commissioned employees retiring from SLPD with 2200+ hours of sick leave accrued and 30+ years of service will be paid 50% of their unused sick leave. Civilian employees retiring from SLPD with 2200+ hours of sick leave accrued and 85 points (years of service plus age) or age 65 will be paid 50% of their unused sick leave.

n. Encumbrances

Within the governmental fund financial statements, fund balance is reserved for outstanding encumbrances, which serves as authorization for expenditures in the subsequent year. Of encumbrances outstanding at year-end, \$7,470 will remain in force and will be liquidated under the current year's budget and \$42,935 will automatically be reappropriated and re-encumbered as part of subsequent year budgets.

o. Interfund Transactions

In the fund financial statements, the City has the following types of transactions among funds:

1) Transfers

Legally authorized transfers are reported when incurred as transfers in by the recipient fund and as transfers out by the disbursing fund.

2) Interfund Services Provided/Used

Charges or collections for services rendered by one fund for another are recognized as revenues (interfund services provided) of the recipient fund and expenditures or expenses (interfund services used) of the disbursing fund. These transactions are recorded as interfund services because they would be treated as revenues and expenditures or expenses if they involved organizations external to the City.

Within the accompanying activity from the statement of activities, direct expenses are not eliminated from the various functional categories. Indirect expenses are eliminated from the various functional categories.

Certain internal payments are treated as program revenues, such as internal services provided and used. Certain internal payments are treated as a reduction of expense, such as reimbursements.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

p. Reserved Fund Balance

Within the governmental fund financial statements, reserved fund balance represents the portion of fund balance that is not available for subsequent year appropriation and is legally segregated for a specific future use. In addition to encumbrances, reserved fund balances at June 30, 2004 are comprised of the following:

1) General Fund

Cash and investments with trustees to be used for debt service related to the Convention Center, the Kiel Site Project, the Argyle, Kiel and 7th and Pine parking garages, Civil Courts, Justice Center, Carnahan Courthouse, and Firemen's System Revenue Bonds.

2) Capital Projects Fund

Cash and investments with trustees to be used for debt service and construction related to the Forest Park Redevelopment, Justice Center construction, and Carnahan Courthouse construction. Reserved fund balance also includes proceeds of capital improvement sales tax restricted for construction.

3) Other Governmental Funds

Cash and investments with a trustee to be used for debt service of tax increment financing bonds and notes payables and other bond principal payments.

q. Statement of Cash Flows

For the purpose of the statement of cash flows, cash and cash equivalents are defined as all highly liquid investments (including restricted assets) with a maturity of three months or less at the date of purchase.

r. Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenue, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

s. Individual Fund Deficit

At June 30, 2004, the grants fund has a deficit fund balance of \$62. This amount will be offset by future revenues. Additionally, the PFPC internal service fund and the health internal service fund have deficit net assets of \$11,053 and \$7,797, respectively. These accumulated deficits will be offset by charges for services to other funds in future years.

2. DEPOSITS AND INVESTMENTS

a. Primary Government

While certificates of deposit are defined as investments for the statement of net assets/balance sheet/statement of fund net assets classification and cash flow purposes, for custodial risk disclosure they are shown as deposits. In addition, money market mutual funds are classified as cash deposits (for all funds except pension trust funds) on the statement of net assets/balance sheet/statement of fund net assets, but as investments for custodial risk disclosure.

At year-end, the carrying amount of cash deposits was \$249,119 and the bank balances totaled \$254,894. Of the bank balance, \$1,601 was insured by the Federal Depository Insurance Corporation (FDIC), \$247,582 was covered by collateral held by the pledging bank's trust department or agent in the City's name, and \$5,711 was covered by collateral held by the pledging bank's trust department or agent in the pledging bank's name.

State statutes and City investment policies authorize the deposit of funds in financial institutions and trust companies. For City funds other than pension trust funds, investments may be made in obligations of the United States Government or any agency or instrumentality thereof, or bonds of the State or any city within the state with a population of 400,000 inhabitants or more, certificates of deposit, commercial paper, bankers acceptances, money market mutual funds, or state investment pools, provided that no such investment shall be purchased at a price in excess of par. In addition, the City may enter into a repurchase agreement maturing and becoming payable within 90 days secured by United States Treasury obligation or obligations of the United States Government agencies or instrumentalities, of any maturity, as provided by law. Pension trust funds are authorized to invest in the following:

- United States Government securities;
- Non-U.S. fixed income securities;
- Common stocks of corporations organized under the laws of the United States;
- Common stocks of foreign corporations through commingle fund investments;
- Publicly issued corporation bonds, debentures, notes, or other evidence of indebtedness assumed or guaranteed by corporations organized under the laws of the United States with ratings of "A" or better by Moody's Investors Service; and
- Short-term securities with a maximum maturity of one year including institutional liquid assets, United States Treasury obligations, federal agency obligations, discount and interest-bearing notes from corporations, and certificates of deposit.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

The Employees' Retirement System permits its investment manager to utilize financial derivative instruments such as forwards, futures, and options. The use of these financial derivatives is defensive in nature, that is, used only to manage duration and foreign currency exposure and bond exposure. Open currency exposure shall not exceed 10 percent of the global fixed income portfolio. As of September 30, 2003, the system had a net liability of \$1,119 and a net asset of \$77 (cost \$0) based on current market values.

The Firemen's Retirement System of St. Louis, a pension trust fund (the Firemen's System), participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Firemen's System transfers possession—but not title—of the security to the borrower. Collateral consisting of cash, letter of credit, or government securities is received and held by a financial institution. The collateral maintained is at least 100% of the market value of the securities lent. The Firemen's System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Firemen's System continues to earn income on the loaned security. In addition, the Firemen's System receives 60% of the net lending fees generated by each loan of securities. At the Firemen's System's fiscal year end, \$42,247 in loans were outstanding to borrowers. The Firemen's System earned income of \$91 for its participation in the securities lending program for the year ended August 31, 2003.

The Police Retirement System of St. Louis, a pension trust fund (the Police System), participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Police System transfers possession—but not title—of the security to the borrower. Collateral consisting of cash, letter of credit, or government securities is received and held by a financial institution. The broker/dealer collateralizes their borrowing (usually in cash) to 102% of the security value plus accrued interest and this collateral is adjusted daily to maintain the 102% level. The Police System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Police System continues to earn income on the loaned security. In addition, the Police System receives 70% of the net lending fees generated by each loan of securities. The financial institution receives the remaining 30% of the net lending fees as compensation for its services provided in the securities lending program. The financial institution indemnifies operational risk and counter-party risk. The Police System authorizes the lending of domestic securities, U. S. Treasuries, corporate bonds, and equities. The Police System does not have the ability to pledge or sell collateral securities without borrower default. Therefore, for accounting purposes, the financial statements do not reflect an increase in assets or liabilities associated with securities lent. At September 30, 2003, outstanding loans to borrowers were \$75,330. The Police System earned income of \$98 for its participation in the securities lending program for the year ended September 30, 2003.

City funds in the form of cash on deposit or certificates of deposit are required to be insured or collateralized by authorized investments held in the City's name. Actual investment decisions are made by the City treasurer, City comptroller, circuit clerk, and the City's trustees and fiscal agents.

The City's investments are categorized below to give an indication of the level of custodial credit risk assumed at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a counter party's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a counter party, or by its trust department or agent, but not in the City's name.

	Category			Total Carrying Value
	1	2	3	
Investments:				
U.S. Government agency securities	\$ —	414,248	20,408	434,656
Commercial paper	—	7,480	—	7,480
Pension trust funds investments:				
U.S. Government securities	—	—	90,012	90,012
Corporate bonds	—	—	180,552	180,552
Stocks	—	—	774,462	774,462
Foreign government obligation	—	—	18,860	18,860
Mortgage-backed securities	—	—	95,674	95,674
	<u>\$ —</u>	<u>421,728</u>	<u>1,179,968</u>	<u>1,601,696</u>
Money market mutual funds				78,219
Pension trust funds investments:				
FHA mortgages				29
Collective investment funds				181,692
Money market mutual funds				37,004
Managed international equity funds				55,474
Total investments (excluding certificates of deposit)— primary government				<u>\$ 1,954,114</u>

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

The following is a reconciliation of the City's deposit and investment balances of June 30, 2004:

	Cash and Investments	Investments	Restricted Assets	Total
Bank deposits	\$ 59,095	119,062	70,962	249,119
Investments	23,623	1,423,883	506,608	1,954,114
	<u>\$ 82,718</u>	<u>1,542,945</u>	<u>577,570</u>	<u>2,203,233</u>

	Government-wide Statement of Net Assets	Fiduciary Funds Statement of Fiduciary Net Assets	Total
Cash and cash equivalents	\$ 46,331	36,387	82,718
Investments	98,670	1,444,275	1,542,945
Restricted assets (noncurrent)	577,570	—	577,570
	<u>\$ 722,571</u>	<u>1,480,662</u>	<u>2,203,233</u>

b. Component Unit—SLDC

At June 30, 2004, the carrying amount of SLDC's cash deposits was \$10,554 and the bank balance was \$12,718. Of the bank balance, \$850 was covered by federal depository insurance and \$11,868 was covered by collateral held by the pledging institution's trust department or agent in SLDC's name.

State statutes and SLDC investment policies are the same as for the primary government. SLDC funds, in the form of cash on deposit or certificates of deposit, are required to be insured or collateralized by authorized investments held in SLDC's name.

SLDC's investments are categorized below to give an indication of the level of custodial credit risk assumed at June 30, 2004. These categories are the same as for the primary government.

	Category			Total Carrying Value
	1	2	3	
Stock	\$ <u>—</u>	<u>27</u>	<u>—</u>	<u>27</u>

At June 30, 2004, the fair value of all investments approximates the carrying amount.

c. Component Unit—SLPD

At June 30, 2004, the carrying amount of SLPD's cash deposits was \$433 and the bank balances were \$643. Of the bank balances, \$139 was insured by the FDIC and the remainder was covered by collateral pledged by financial institutions and held by the financial institution's trust department or the Federal Reserve Bank in SLPD's name.

State statutes and City investment policies are the same as for the primary government. SLPD funds in the form of cash on deposit or time certificates of deposit are required to be insured or collateralized by authorized investments held in SLPD's name. Actual investment decisions are made by the director of budget and finance, the board of police commissioners, and SLPD's fiscal agents.

SLPD's investments are categorized below to give an indication of the level of custodial credit risk assumed at June 30, 2004. These categories are the same as for the primary government.

	Category			Total Carrying Value
	1	2	3	
Investments:				
Federal home loan note	\$ —	2,513	—	2,513
U.S. Government agencies	12	—	—	12
Total investments	<u>\$ 12</u>	<u>2,513</u>	<u>—</u>	<u>2,525</u>
Mutual fund:				
Fidelity treasury mutual fund				671
				<u>\$ 3,196</u>

d. Component Unit—HSTRC

At May 31, 2004, the carrying amount of HSTRC's cash deposits was \$10 and was insured by the FDIC.

e. Component Unit—SWMDC

At June 30, 2004, the carrying amount and bank balance of SWMDC's cash deposits was \$741. Of the bank balance, \$100 was insured by the FDIC and \$641 was uncollateralized.

SWMDC's investments of \$669 at year-end consisted entirely of U.S. Government securities, and were held by the bank's trust department in SWMDC's name (category 2).

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

3. RECEIVABLES, NET

	<u>Taxes</u>	<u>Intergovern- mental</u>	<u>Charges for Services</u>	<u>Notes and Loans</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental activities:						
General fund	\$ 80,152	2,051	2,715	—	890	85,808
Capital projects fund	2,650	4,862	—	—	—	7,512
Grants fund	—	8,721	—	—	—	8,721
Other governmental funds	20,338	234	2,351	186	—	23,109
Internal service funds	—	—	10	—	—	10
Total governmental activities	<u>\$ 103,140</u>	<u>15,868</u>	<u>5,076</u>	<u>186</u>	<u>890</u>	<u>125,160</u>
Business-type activities:						
Airport	\$ —	6,491	12,953	—	1,076	20,520
Water Division	—	—	5,809	—	—	5,809
Parking Division	—	—	63	—	—	63
Total business-type activities	<u>\$ —</u>	<u>6,491</u>	<u>18,825</u>	<u>—</u>	<u>1,076</u>	<u>26,392</u>

All amounts are scheduled for collection during the subsequent fiscal year.

4. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The allowance for uncollectible accounts, which has been deducted from the related receivable in the government-wide statement of net assets and fund financial statements, consists of the following balances:

Governmental activities:

Taxes receivable—general fund	\$ 1,043
Taxes receivable—other governmental funds	149
Charges for services receivable—other governmental funds	37

Business-type activities:

Charges for services receivable—Airport	422
Charges for services receivable—Water Division	<u>2,348</u>
	<u>\$ 3,999</u>

5. COMPONENT UNIT—SLDC RECEIVABLES

SLDC receivables consist principally of Small Business Administration (SBA) loans and various other commercial loans made to third parties to facilitate development activities. The commercial loans were financed utilizing funds provided by the Community Development Agency (CDA) of the City, the Economic Development Administration, and the State of Missouri. The proceeds from any repayment of these loans are payable back to the funding source. Thus, a corresponding liability has been recorded.

6. RESTRICTED ASSETS

a. Airport

Cash and investments, restricted in accordance with City ordinances and bond provisions, are as follows at June 30, 2004:

Airport bond fund:	
Debt service account	\$ 66,918
Debt service reserve account	63,609
Airport renewal and replacement fund	3,500
Passenger facility charge fund	13,002
Airport development fund	58,910
Airport construction fund	281,986
Airport contingency fund	1,959
	<u>\$ 489,884</u>

City ordinances require that revenues derived from the operation of the Airport be deposited into the unrestricted Airport revenue fund. From this fund, the following allocations are made (as soon as practicable in each month after the deposit of revenues but no later than five business days before the end of each month) in the following order of priority:

- 1) Unrestricted Airport operation and maintenance fund: an amount sufficient to pay the estimated operation and maintenance expenses during the next month.
- 2) Airport bond fund: for credit to the debt service account if and to the extent required so that the balance in said account shall equal the accrued aggregate debt service on the bonds, to the last day of the then current calendar month. This account shall be used only for payment of bond principal and interest as the same shall become due.
- 3) Airport bond fund: for credit to the debt service reserve account: an amount sufficient to maintain a balance in such account equal to the debt service reserve requirement (an amount equal to the greatest amount of principal and interest due in any future fiscal year). This account shall be available for deficiencies in the debt service account on the last business day of any month, and the balance shall be transferred to the debt service account whenever the balance in the debt service account (before the transfer) is not sufficient to fully pay all outstanding bonds.
- 4) Airport renewal and replacement fund: an amount equal to \$57; provided that no deposit shall be required to be made into said fund whenever and as long as uncommitted monies in said fund are equal to or greater than \$3,500 or such larger amount as the City shall determine is necessary for purposes of said fund; and provided further that, if any such monthly allocation to said fund shall be less than the required amounts, the amount of the next succeeding monthly payments shall be increased by the amount of such deficiency. This fund shall be used for paying costs of renewal or replacement of capital items used in connection with the operation of the Airport.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

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- 5) A subaccount in the Airport revenue fund: an amount determined from time-to-time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport fiscal year, the balance in such subaccount shall equal the amounts payable to the City with respect to such Airport fiscal year for the payment of 5% of gross receipts from operations of the Airport. A maximum of 80% of the monthly transfer to this subaccount may be paid to the City during the Airport's fiscal year. The final installment may only be paid to the City upon delivery of the Airport's audited financial statements to the Airport bond fund trustee.
- 6) Airport contingency fund: an amount determined at the discretion of Airport management, to be used for the purchase or redemption of any bonds; payments of principal or redemption price of interest on any subordinated debt; improvements, extensions, betterments, renewals, replacements, repairs, maintenance, or reconstruction of any properties or facilities of the Airport; or the provision of one or more reserves. These funds can also be used for any other corporate purpose of the Airport, the local airport system, or other local facilities that are owned or operated by the City and are directly related to the actual transportation of passengers or property.
- 7) The remaining balance in the revenue fund shall be deposited into the Airport development fund. This fund shall be used for extensions and improvements to the Airport, including equipment acquisition.

City ordinances provide that, in the event the sum on deposit in the Airport bond fund—debt service and debt service reserve accounts are insufficient to pay accruing interest, maturing principal or both, the balance in the Airport contingency fund, Airport development fund, and Airport renewal and replacement fund may be drawn upon, to the extent necessary, to provide for the payment of such interest, principal, or both. Any sums so withdrawn from these accounts for said purposes shall be restored thereto in the manner provided for in their original establishment. City ordinances also provide that the principal proceeds from the sale of Airport revenue bonds shall be held in the Airport construction fund from which they shall be disbursed for the purposes contemplated in these ordinances.

b. Water Division

Cash and investments restricted in accordance with City ordinances at June 30, 2004 are as follows:

Bond funds:	
Waterworks bond and interest Account	\$ 3,565
Water revenue bond reserve account	3,334
Water replacement and improvement account	<u>689</u>
Total bond funds	7,588
Construction funds	10,178
Customer deposits	<u>1,354</u>
	<u>\$ 19,120</u>

City ordinances require that revenues derived from the operation of the Waterworks System be deposited in the waterworks revenue account. From this account, the following allocations are made on the first business day of each month in the following order of priority:

1) 1994 Water Revenue Bond Funds

- 1) To the unrestricted waterworks operations and maintenance account, an amount sufficient to pay the estimated operation and maintenance expenses during the next month.
- 2) To the waterworks bond and interest account, an amount at least equal to one-sixth of the amount of interest that will come due on the next interest payment date, plus an amount at least equal to one-twelfth of the aggregate principal amount of bonds that will come due on the next bond maturity date. This account is to be used only for the payments of bonds principal and interest, as the same shall become due.
- 3) To the water revenue bond reserve account, a sum equal to the maximum principal and interest coming due on any fiscal year on the bonds.
- 4) To the water replacement and improvement account, an amount equal to \$25 per month until the account balance aggregates \$700. This account shall be used for making replacements, extensions, and improvements to the waterworks system, and for the purpose of meeting unforeseen contingencies and emergencies arising in the operation of the waterworks system of the City.
- 5) The remaining balance in the waterworks revenue fund is to be deposited into the unrestricted water contingent account. This account shall be used for paying the cost of the operation, maintenance, and repair of the waterworks system; paying the cost of extending, improving, or making replacements to the waterworks system; preventing default in, anticipating payments into, or increasing the amounts in the other accounts; paying any gross receipts tax now or hereafter levied by the City; paying the principal or the interest on any subordinate or junior lien bonds; paying any redemption premium due on the bonds; or any other lawful purpose for use by the waterworks system.

2) 1998 Water Revenue Bond Funds

To the Water Revenue Bond Reserve Account, a sum equal to the maximum principal and interest coming due in any fiscal year on the bonds.

3) Construction Funds

City ordinances also provide that the principal proceeds from the sale of Series 1994 Revenue Bonds and amounts appropriated from the water contingent account shall be held in the construction fund from which they shall be disbursed for the purposes contemplated in these ordinances.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

4) Customer Deposits

City ordinances provide that amounts paid by customers as deposits on water meters, construction and unclaimed meter deposits be held in escrow until such time as they are returned to customers in the form of cash or as a credit on the applicable customer's water bill.

5) Service Line Maintenance

In accordance with a City ordinance, the Water Division collects a \$3.00 (in dollars) per quarter surcharge from flat-rate and metered residential customers having six or less dwelling units. These funds are deposited in the service line maintenance account. This account, including interest earned, is used to pay for the repair of certain portions of the water lines for these customers.

c. Parking Division

Cash and investments restricted in accordance with revenue bond indentures at June 30, 2004 are as follows:

Series 2002, 1999, 1998, and 1996 bonds:

Debt service reserve	\$ 5,543
Construction	653
Debt service	874
Parking trust—Parking Division accounts	4,514
Total series 2002, 1999, 1998 and 1996 bonds	<u>11,584</u>

Series 2003A and 2003B bonds:

Gross revenues	131
Bond	99
Repair and replacement	5
Operating reserve	100
Redemption	35
Total series 2003A and 2003B bonds	<u>370</u>
	<u>\$ 11,954</u>

The June 30, 2004 restricted assets are required by the Series 2003A, 2003B, 2002, 1999, 1998, and 1996 bond indentures. Descriptions of the above funds required by the Series 2002, 1999, 1998, and 1996 Bond indentures are as follows:

- 1) Debt service reserve—Maintains funds from the proceeds of the respective bond series to be available to pay principal of and interest on the respective bonds if other funds are not available.
- 2) Construction—Used to pay construction costs to complete the respective projects.
- 3) Debt service – Monies deposited into this account pay principal and accrued and unpaid interest on the respective bonds.

- 4) Parking trust—Parking Division accounts – Maintains funds transferred from the respective bond account to be available to pay principal and interest on the respective refunded bonds if other funds are not available.

The Series 1999, 1998, and 1996 Bond indentures specify how funds are to be deposited into these restricted accounts. Payment for the bonds will be made first from net project revenues. The treasurer is required to collect on a daily basis all net project revenues and, by the 10th business day of each month, the treasurer is required to deposit into the treasurer's parking facilities debt service account such net project revenues in the following order of priority, first for transfer to the trustee for deposit (a) into the debt service fund for each series of bonds outstanding the amount of monies required to meet the debt service requirements for such series for at least one bond year; (b) into the debt service reserve fund for each series of bonds outstanding amounts, if any, required to cure any deficiency in such debt service reserve fund; (c) into the series account in the parking trust fund for each series of bonds outstanding to repay, on a pro rata basis, but subject to the Indenture, any amounts drawn from the Parking Division account in the parking trust fund and the TVB account in the parking trust fund in connection with with bonds; and (d) into the treasurer's parking facilities renewal and replacement account to the extent required in the indenture. If there are insufficient net project revenues to make the payments provided herein as the same become due, a pro rata amount shall be deposited for each series of bonds and the treasurer shall pay out of the net project revenues received by the treasurer during the next succeeding months, to the extent there are surplus funds remaining after the required deposits for such months, such sums as are necessary to make up such shortfalls.

The Series 2002 Bonds are subordinated bonds, meaning that Parking Division revenues are applied to the Series 2002 Bond accounts only after the other bond accounts have been satisfied. Payment for the Series 2002 Bonds will be made first from net project revenues. The treasurer is required to collect on a daily basis all receipts from the financed facilities and deposit such funds in the treasurer's parking facilities subordinated revenue account. By the 10th day of each month, net project revenues attributable to the financed facilities, on a modified cash basis, for the preceding month, shall be transferred to the trustee for deposit in the net project revenues account of the revenue fund. Promptly upon receipt, the trustee shall transfer monies held in the net project revenues account, first, to the interest account of the debt service fund until the amount on deposit in such account equals the amount required to pay interest on the bonds on the next interest payment date and, second, to the principal account of the debt service fund until the amount on deposit therein equals the amount required to pay the principal of, including any redemption premium related to, the bonds on the next principal payment date which is not more than one year after the date of deposit. Any monies remaining after such deposits shall be transferred, first, to the debt service reserve fund until the amount on deposit therein is equal to the debt service reserve fund requirement, second, to the special reserve fund, if and to the extent required by the indenture, third, to the treasurer's parking facilities subordinated renewal and replacement account, until the amount on deposit therein is equal to the amount (if any) established by the treasurer based on the recommendation of a consultant selected by the Parking Commission of the City of St. Louis and any monies remaining thereafter shall then be released to the treasurer free and clear of the lien of the indenture.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

Descriptions of the funds required by the Series 2003A and 2003B bond indenture are as follows:

- 1) Gross Revenues—Maintains revenues resulting from the operations of the Cupples Garage and uses these to pay the operating and debt service costs associated with the Cupples Garage.
- 2) Bonds— Monies deposited into this account pay principal and accrued and unpaid interest on the Series 2003A and 2003B Bonds.
- 3) Repair and Replacement—Provides for the repair and upkeep of the Cupples Garage.
- 4) Operating Reserve—Maintains operating reserve as required by the Bond indenture.
- 5) Redemption—Maintains funds set aside for the future redemption of the Series 2003A and 2003 Bonds.

As specified by the Series 2003A and 2003B bond indenture, the revenues from the operation of the Cupples Garage are deposited into the Gross Revenues Fund. By the 25th of each month, the Trustee is required to first pay from the Gross Revenue Fund all operating expenses associated with the Cupples Garage, all rent for surface lots surrounding the Cupples Garage, and all fees due to the Trustee. Secondly, the Trustee is required to transfer from the Gross Revenues Fund to the Bond Fund an amount equal to the debt service required to be paid on the next interest payment date for the Series 2003A and 2003B Bonds. Thirdly, the Trustee is required to transfer 1% of the gross revenues received during the month to the Repair and Replacement Fund, provided that the balance in the Repair and Replacement Fund does not exceed \$250,000. Fourthly, the Trustee is required to transfer from the Gross Revenue Fund to the Operating Reserve Fund any amount necessary to bring the Operating Reserve Fund to the \$100,000 balance required by the Bond indenture. Fifthly, the Trustee is required to transfer 75% of the remaining balance in the Gross Revenue Fund to the Redemption Fund. Finally, the Trustee is required to transfer any remaining balance in the Gross Revenue Fund to the Parking Division as a management fee.

d. Component Unit—SLDC

Restricted cash and investments at June 30, 2004 are as follows:

Bond funds	\$ 2,097
Interest trust	331
	<u>\$ 2,428</u>

Cash and investments restricted in accordance with the SLDC Parking Facilities Revenue Refunding Bonds, Series 1999, Bond Indenture consist of a bond reserve account in the amount of \$2,097.

The revenue bond indenture requires that gross operating revenues be paid to the bond trustee for deposit in the parking facility fund. From this fund, the revenues are to be applied by the trustee to various reserve accounts including principal and interest, repair and replacement, and operating reserve up to specified limits.

SLDC is also required to maintain on deposit at a bank in an interest trust account a minimum amount based on an outstanding loan balance. Any deficiency in the balance is required to be replaced within 30 days. At June 30, 2004, the balance in the interest trust account was \$331.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

7. CAPITAL ASSETS**a. Primary Government**

The following is a summary of changes in capital assets—governmental activities for the year ended June 30, 2004:

	Balance June 30, 2003	Additions	Retirements	Transfers	Balance June 30, 2004
Governmental activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 77,545	2	(159)	—	77,388
Construction in progress	91,321	38,065	—	(43,742)	85,644
Works of art	2,341	137	—	326	2,804
Total capital assets not being depreciated	<u>171,207</u>	<u>38,204</u>	<u>(159)</u>	<u>(43,416)</u>	<u>165,836</u>
<i>Capital assets being depreciated:</i>					
Buildings	369,548	11,573	(2,465)	12,781	391,437
Improvements other than buildings	27,909	27,125	—	14,480	69,514
Equipment	94,823	2,529	(2,598)	—	94,754
Infrastructure	358,966	4,606	—	16,155	379,727
Total capital assets being depreciated	<u>851,246</u>	<u>45,833</u>	<u>(5,063)</u>	<u>43,416</u>	<u>935,432</u>
<i>Less accumulated depreciation for:</i>					
Buildings	80,713	9,600	(298)	—	90,015
Improvements other than buildings	12,268	1,661	—	—	13,929
Equipment	33,752	11,899	(1,940)	—	43,711
Infrastructure	165,187	11,671	—	—	176,858
Total accumulated depreciation	<u>291,920</u>	<u>34,831</u>	<u>(2,238)</u>	<u>—</u>	<u>324,513</u>
Total capital assets being depreciated, net	<u>559,326</u>	<u>11,002</u>	<u>(2,825)</u>	<u>43,416</u>	<u>610,919</u>
Governmental activities capital assets, net	<u>\$ 730,533</u>	<u>49,206</u>	<u>(2,984)</u>	<u>—</u>	<u>776,755</u>

Construction in progress consists primarily of Firehouse renovations and improvements at Forest Park.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2004
(dollars in thousands)

The following is a summary of changes in capital assets—business-type activities for the year ended June 30, 2004. Business-type activities for the City include the Airport, Water Division, and Parking Division.

	Balance June 30, 2003	Additions	Retirements	Transfers	Balance June 30, 2004
Business-type activities:					
Combined:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 761,667	46,454	(624)	—	807,497
Construction in progress	281,226	174,335	—	(65,065)	390,496
Total capital assets not being depreciated	<u>1,042,893</u>	<u>220,789</u>	<u>(624)</u>	<u>(65,065)</u>	<u>1,197,993</u>
<i>Capital assets being depreciated:</i>					
Buildings and structures	435,345	11,799	(12,000)	25,719	460,863
Equipment	68,027	6,425	(5,247)	955	70,160
Pavings	281,075	3,427	(18,692)	37,726	303,536
Parking meters and lot equipment	4,447	824	—	—	5,271
Reservoirs	34,169	47	—	177	34,393
Boiler plant equipment	661	—	—	—	661
Pumping equipment	8,404	—	—	11	8,415
Purification basins and equipment	37,457	57	—	431	37,945
Water mains, lines, and accessories	99,122	3,984	(22)	46	103,130
Motor vehicle equipment	8,335	818	(834)	—	8,319
Total capital assets being depreciated	<u>977,042</u>	<u>27,381</u>	<u>(36,795)</u>	<u>65,065</u>	<u>1,032,693</u>
<i>Less accumulated depreciation for:</i>					
Buildings and structures	232,444	15,989	(6,209)	—	242,224
Equipment	43,007	4,504	(3,402)	—	44,109
Pavings	184,605	9,227	(19,808)	—	174,024
Parking meters and lot equipment	2,972	315	—	—	3,287
Reservoirs	4,659	658	—	—	5,317
Boiler plant equipment	609	3	—	—	612
Pumping equipment	7,167	151	—	—	7,318
Purification basins and equipment	8,605	720	—	—	9,325
Water mains, lines, and accessories	44,303	1,231	(12)	—	45,522
Motor vehicle equipment	4,541	596	(767)	—	4,370
Total accumulated depreciation	<u>532,912</u>	<u>33,394</u>	<u>(30,198)</u>	<u>—</u>	<u>536,108</u>
Total capital assets being depreciated, net	<u>444,130</u>	<u>(6,013)</u>	<u>(6,597)</u>	<u>65,065</u>	<u>496,585</u>
Business-type activities capital assets, net	<u>\$ 1,487,023</u>	<u>214,776</u>	<u>(7,221)</u>	<u>—</u>	<u>1,694,578</u>

Construction in progress consists primarily of various improvements at the Airport to the airfield and terminal buildings, as well as property purchased on which the Airport's expansion facilities will be constructed.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

Within the statement of activities, depreciation expense is charged to functions of the primary government as follows:

Governmental activities:

General government	\$ 4,923
Convention and tourism	4,247
Parks and recreation	2,614
Judicial	344
Streets	19,720
Public safety:	
Fire	1,562
Other	770
Health and welfare	415
Public service	236

Total depreciation expense, governmental activities	\$ <u>34,831</u>
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Business-type activities:

Airport	\$ 27,297
Water Division	4,445
Parking Division	1,652

Total depreciation expense, business-type activities	\$ <u>33,394</u>
--	------------------

b. Component Unit—SLDC

The following is a summary of changes in SLDC capital assets for the year ended June 30, 2004:

	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004
Capital assets not being depreciated:				
Land	\$ 4,914	—	—	4,914
Total capital assets not being depreciated	4,914	—	—	4,914
Capital assets being depreciated:				
Leasehold improvements	3,000	—	—	3,000
Equipment	643	—	—	643
Parking facilities	18,897	—	—	18,897
Total capital assets being depreciated	22,540	—	—	22,540
Less accumulated depreciation for:				
Leasehold improvements	500	200	—	700
Equipment	626	8	—	634
Parking facilities	7,414	637	—	8,051
Total accumulated depreciation	8,540	845	—	9,385
Total capital assets being depreciated, net	14,000	(845)	—	13,155
SLDC capital assets, net	\$ 18,914	(845)	—	18,069

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

c. Component Unit – SLPD

The following represents a summary in SLPD's capital assets for the year ended June 30, 2004:

	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,646	—	—	1,646
Total capital assets not being depreciated	1,646	—	—	1,646
<i>Capital assets being depreciated:</i>				
Buildings and improvements	32,242	129	—	32,371
Furniture and fixtures and other equipment	2,546	395	(531)	2,410
Automotive equipment	7,644	1,467	(583)	8,528
Communications equipment	4,639	—	—	4,639
Computers and software	1,543	1,089	(145)	2,487
Aircraft	258	—	—	258
Total capital assets being depreciated	48,872	3,080	(1,259)	50,693
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	14,949	482	—	15,431
Furniture and fixtures and other equipment	1,794	268	(447)	1,615
Automotive equipment	5,010	1,636	(530)	6,116
Communications equipment	3,521	324	—	3,845
Computers and software	1,085	415	(140)	1,360
Aircraft	182	44	—	226
Total accumulated depreciation	26,541	3,169	(1,117)	28,593
Total capital assets being depreciated, net	22,331	(89)	(142)	22,100
SLPD capital assets, net	\$ 23,977	(89)	(142)	23,746

d. Component Unit—HSTRC

In October 2004, the HSTRC was sold resulting in proceeds of \$260 for HSTRC's furniture, equipment, and bed license. (Refer to note 27f.) The Receiver represents \$60 of the sale proceeds relate to the furniture and equipment which are recorded as "assets held-for-sale" at May 31, 2004, in the amount of \$50, and are classified as other assets on the accompanying statement of net assets. The remaining proceeds of \$200 relate to the sale of HSTRC's bed license. HSTRC never recorded the license as an asset.

e. Component Unit—SWMDC

	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004
<i>Capital assets being depreciated:</i>				
Infrastructure	\$ 7,546	9	—	7,555
Total capital assets being depreciated	7,546	9	—	7,555
<i>Less accumulated depreciation for:</i>				
Infrastructure	1,923	238	—	2,161
Total accumulated depreciation	1,923	238	—	2,161
SWMDC capital assets, net	\$ 5,623	(229)	—	5,394

8. COMPONENT UNIT—SLDC PROPERTY HELD FOR DEVELOPMENT

SLDC property held for development consists primarily of land and property held for sale or other development purposes. This land and property is reported in SLDC's financial statements based on management's intent of ultimate disposition of the property. Proceeds received upon the sale of most of these properties will revert back to the funding source. At June 30, 2004, SLDC has established a reserve for impairment of \$5,841 on its properties held for development.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Vendors	Contracts and Retainage Payable	Total
Government activities:			
General fund	\$ 3,218	119	3,337
Capital projects fund	—	7,971	7,971
Grants fund	12,035	—	12,035
Other governmental funds	1,066	—	1,066
Internal service	460	—	460
Total government activities	\$ 16,779	8,090	24,869
Business-type activities:			
Airport	\$ 2,640	27,376	30,016
Water Division	3,146	—	3,146
Parking Division	168	223	391
Total business-type activities	\$ 5,954	27,599	33,553

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

10. RETIREMENT PLANS

The City contributes to three defined benefit retirement plans. The Firemen's Retirement System of St. Louis (Firemen's System) and the Police Retirement System of St. Louis (Police System) are single-employer plans. The Employees' Retirement System of the City of St. Louis (Employees' System) is a cost-sharing multiple-employer plan. However, due to the City's participation in the Employees' System being greater than 99% of the total participation of all employers, the disclosures provided for the Employees' System are those for a single-employer plan. Each system is administered by a separate board of trustees, who are partially appointed by City officials, plan participants, and the governor of the State (Police System only). For financial reporting purposes, these retirement systems are included as fiduciary pension trust funds of the City. Financial information for these funds has been included within the accompanying basic financial statements as of each System's fiscal year-end, which falls within the City's current fiscal year-end as follows:

<u>System</u>	<u>System Fiscal Year End</u>
Firemen's	August 31, 2003
Police	September 30, 2003
Employees'	September 30, 2003

a. Firemen's Retirement System of St. Louis**1) System Description**

All firefighters qualify as members of the Firemen's System and are thereby eligible to participate from their date of hire.

The Firemen's System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Firemen's Retirement System of St. Louis; 1601 South Broadway, St. Louis, Missouri, 63104.

Firefighters may elect voluntary retirement after 20 or more years of service. The monthly allowance consists of 40% of the final two-year average monthly compensation at 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of final average compensation for each additional year of service over 25 years with a maximum pension of 75%. Unused accrued sick pay may increase the maximum pension beyond the 75% limitation.

The Firemen's System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are authorized by State statutes and adopted by City ordinance.

The Firemen's System, in accordance with Ordinance 62994 of the City, initiated during the Firemen's System's fiscal year ended August 31, 1994 the Deferred Retirement Option Plan (DROP). The DROP is available to members of the Firemen's System who have achieved at least 20 years of creditable service and have eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly into the DROP account of the member and the member's contribution will be reduced to 1% from the normal 8%. During participation in the DROP, the member will not receive credit

for City contributions or credit for service. A member may participate in the DROP only once for any period up to five years. At retirement, the funds in the member's DROP account plus interest and accrued sick leave, if elected, is available to the member in a lump sum or in installments.

2) Funding Policy

Firefighters are required to contribute 8% of their compensation to the Firemen's System, as mandated per State statute and adopted by City ordinance. The City is required to contribute the remaining amounts necessary to fund the Firemen's System. Members of the Firemen's System are entitled to a lump-sum distribution of the entire amount of their contribution without interest upon service retirement. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution, plus interest thereon.

3) Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension asset to the Firemen's System for the year ended June 30, 2004 are as follows:

Annual required contribution	\$ (4,289)
Interest on net pension asset	1,836
Adjustment to annual required contribution	<u>(2,064)</u>
Annual pension cost	(4,517)
Contributions made	<u>2,078</u>
Decrease in net pension asset	(2,439)
Net pension asset, beginning of year	<u>24,086</u>
Net pension asset, end of year	<u>\$ 21,647</u>

The net pension asset of \$21,647, as of June 30, 2004, is reflected as a net pension asset within governmental activities in the government-wide financial statements.

Historical trend information about the City's participation in the Firemen's System is presented below to help readers assess the Firemen's System's funding status on a going-concern basis and assess progress being made in accumulating assets to pay benefits when due.

Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Asset
2004	\$	4,517	46%	\$	21,647
2003		3,595	94		24,086
2002		3,756	94		24,316

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

Significant actuarial assumptions used in the valuation of the Firemen's System are as follows:

Date of actuarial valuation	September 1, 2003
Actuarial cost method	Entry age-frozen liability method
Amortization method	30 years from establishment, closed-period
Remaining amortization period	Various
Asset valuation method	3-year smooth market
Inflation rate	3.500%, per year
Investment rate of return	7.625%, compounded annually
Projected salary increases	4.500%, per year to retirement age
Projected postretirement benefit increases	5.000%

4) Lawsuit

The Firemen's System has filed a lawsuit against the City and the Board of Estimate and Apportionment to require the City to contribute the actuarially determined annual contribution for the retirement system. The City Counselor's Office has determined there is a reasonable possibility that a loss contingency may be incurred for a range of \$5,500 to \$6,900.

b. Police Retirement System of St. Louis

1) System Description

All persons who become police officers and all police officers that enter or reenter SLPD after October 1, 1957 become members of the Police System and are thereby eligible to participate from their date of hire. The Police System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Police Retirement System of St. Louis; One South Memorial Drive, Suite 600; St. Louis, Missouri, 63102-2447.

Police officers may elect voluntary retirement after 20 or more years of credited service regardless of age or upon attaining age 55. The monthly allowance consists of 40% of the two-year (three-year prior to October 1, 2001) average final compensation for the first 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 4% of average final compensation for each additional year of service after 25 years up to a maximum of 30 years. The monthly allowance of members who have at least 30 years of service is increased by 5%. The maximum pension is 75% of average final compensation. The Police System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are established by State statute.

During the Police System year ended September 30, 1996, deferred retirement option plan (DROP) benefit provisions were added. The DROP option is available to members of the Police System who have at least 20 years of creditable service and have achieved eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly in the DROP account, and will no longer make

contributions to the Police System. During participation in the DROP, the member will not receive credit for service and the member shall not share in any benefit improvement that is enacted or becomes effective while such member is participating in the DROP. A member may participate in the DROP only once for any period up to five years. At retirement, the funds in the member's DROP account plus interest is available to the member in a lump sum or in installments.

2) Funding Policy

Police officers are required to contribute 7% of their compensation to the Police System per State statute. The City is required to contribute the remaining amounts necessary to fund the Police System, determined in accordance with City ordinances. Upon leaving employment due to service retirement, death, or disability due to an accident in the actual performance of duty (prior to October 1, 2001, only if 100% disabled), the member's contributions are refunded. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution plus interest thereon.

3) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Police System for the year ended June 30, 2004 are as follows:

Annual required contribution	\$ (9,576)
Interest on net pension obligation	—
Adjustment to annual required contribution	—
Annual pension cost	<u>(9,576)</u>
Contributions made	<u>4,116</u>
Increase in net pension obligation	(5,460)
Net pension obligation, beginning of year	—
Net pension obligation, end of year	<u>\$ (5,460)</u>

The net pension obligation of \$5,460 is reflected as a long-term liability within governmental activities in the government-wide financial statements.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

Historical trend information about the City's participation in the Police System is presented below.

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 9,576	43%	\$ (5,460)
2003	—	—	—
2002	—	—	—

Significant actuarial assumptions used in the valuation of the Police System are as follows:

Date of actuarial valuation	October 1, 2003
Actuarial cost method	Aggregate (this method does not identify or separately amortize unfunded actuarially accrued liabilities)
Asset valuation methods	5-year smoothed average of market value
Inflation rate	3.00%, per year
Investment rate of return	7.75%, per year
Projected salary increases	3.50 – 7.00%, varying by age
Projected postretirement benefit increases	3.00% maximum per year, cumulative 30% cap

4) Lawsuit

The Police System has filed a lawsuit against the City and the Board of Estimate and Apportionment to require the City to contribute the actuarially determined annual contribution for the Police System. The City Counselor's Office has determined there is a reasonable possibility that a loss contingency may be incurred for a range of \$1,500 to \$5,500.

c. Employees' Retirement System of the City of St. Louis

1) System Description

All nonuniformed employees of the City and certain other public entities funded by or providing services to residents of the City become members of the Employees' Retirement System upon employment with the exception of employees hired after attaining age 60.

The Employees' System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employees' Retirement System of the City of St. Louis; 1300 Convention Plaza, Suite 217; St. Louis, Missouri 63103-1935.

The Employees' System provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest to employees covered by the Employees' System after the employee has attained five years of creditable service. The board of

trustees approves all withdrawals, benefits, and termination refunds from the Employees' System's assets. Normal retirement is at age 65 or if the employee's age and creditable service combined equal or exceeds 85. Employees may retire and receive reduced benefit after age 60, with five years of creditable service; age 55, with at least 20 years of creditable service; or at any age after 30 years of creditable service.

On June 8, 2000, the mayor of the City approved an ordinance passed by the board of aldermen, which will establish a Deferred Retirement Option Plan (DROP) effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will not include the additional years of service after normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return. After the member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

2) Funding Policy

Employer contribution rates are established annually by the board of trustees based on an actuarial study. Deductions from plan net assets are financed from plan additions. The board of trustees elected to require employer contributions at a rate of 10.31% of active member payroll effective July 2003. The City contributed 6% of active member payroll effective July 2003. Prior to July 1, 2003, the City contribution rate was 8.8%.

Employees who became members of the Employees' System prior to October 14, 1977 may make voluntary contributions to the Employees' System equal to 3% of the employee's compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act in effect on January 1 of the calendar year. Voluntary contributions of employees who enrolled in the Employees' System after October 13, 1977 may be made up to 6% of qualified employee compensation for the remainder of the calendar year. These voluntary contributions vest immediately.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

3) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Employees' System for the year ended June 30, 2004, are as follows:

Annual required contribution	\$ (32,187)
Interest on net pension obligation	(873)
Adjustment to annual required contribution	<u>1,223</u>
Annual pension cost	(31,837)
Contributions made	<u>13,062</u>
Increase in net pension obligation	(18,775)
Net pension obligation, beginning of year	<u>(10,907)</u>
Net pension obligation, end of year	<u>\$ (29,682)</u>

The net pension obligation of \$29,682 is reflected as a long-term liability within the accompanying basic financial statements as follows:

Governmental activities	\$ (21,067)
Business-type activities	(5,774)
Component unit – SLPD	<u>(2,841)</u>
	<u>\$ (29,682)</u>

Historical trend information about the City's participation in the Employees' System is presented below.

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 31,837	41.03%	\$ (29,682)
2003	24,124	75.72	(10,907)
2002	17,610	45.32	(5,049)

Significant actuarial assumptions used in the valuation of the Employees' System are as follows:

Date of actuarial valuation	October 1, 2003
Actuarial cost method	Projected unit credit
Amortization method and remaining period	Level dollar amount for unfunded liability
Remaining amortization period	16.25 years as of October 1, 2003, closed-period
Actuarial value of assets	The book value at beginning of year; plus 25% of the difference between market value and book for the last four years; less the member savings fund
Investment rate of return	8.00%
Projected salary increases	3.00%
Projected postretirement benefit increases	5.00% per year, maximum cumulative increase of 25%.

d. Component Unit—SLDC

The SLDC Employees Retirement Plan and Trust (SLDC plan) is a defined contribution plan and became effective January 1, 1989. Required year-ended June 30, 2004 contributions of \$303 which amount to 9% of current covered payroll, were made by SLDC. For the year ended June 30, 2004, SLDC's current covered payroll was \$3,367 and total payroll amounted to \$3,507. Employees are not required to contribute to the SLDC Plan; however, they can contribute up to 5.5% of their monthly compensation if they so elect. In order to be eligible under the SLDC Plan, the participant must be a full-time employee, have attained the age of 18, and have completed at least six months of active service. The employees vest at a rate of 33% per annum with full vesting occurring after the end of their third year of service. The SLDC Plan does not hold any employer or related-party securities. All plan investments are self-directed by the respective plan participants, within the limitations of the plan.

11. COMPONENT UNIT—SLPD POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE

SLPD is obligated under Chapter 84.160 RSMo to provide healthcare and life insurance benefits for former civilian and commissioned employees who retired subsequent to 1969. Currently, SLPD provides healthcare insurance for 1,244 retirees, while 1,306 retirees were provided life insurance benefits. Under the life insurance plan, retirees are obligated to pay 66 cents for every \$1,000 (in dollars) of coverage on a monthly basis. SLPD covers healthcare and other life insurance benefits for participants. These costs are accounted for on a pay-as-you-go basis and the cost to SLPD of providing these benefits to retirees was \$4,458 (in dollars) per retiree for healthcare and \$7 (in dollars) per retiree for life insurance for the fiscal year ending June 30, 2004.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City and SLPD employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) held in trust for the exclusive benefit of the employees. As such, the trust account and related liability are not included in the basic financial statements.

13. LONG-TERM LIABILITIES

a. Changes in Long-Term Liabilities

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2004:

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 54,685	—	(2,965)	51,720	3,100
Section 108 Loan Guarantee					
Assistance Programs	76,570	—	(4,070)	72,500	4,280
Federal Financing Bank advances	840	—	(35)	805	40
Tax increment financing bonds					
and notes payable	25,826	14,766	(9,900)	30,692	1,629
Master note purchase agreement	344	—	(163)	181	—
Loan agreement with Missouri					
Department of Natural Resources	—	1,953	(155)	1,798	324
Capital lease—rolling stock	10,984	—	(1,973)	9,011	2,132
Capital leases—other	175	—	(85)	90	90
Capital leases—Obligations with					
component units	11,805	40,000	(385)	51,420	405
Leasehold revenue improvement and					
refunding bonds	319,737	—	(8,211)	311,526	16,420
Joint venture financing agreement	76,493	—	(2,951)	73,542	3,061
Unamortized discounts, premiums,					
and deferred amounts on refunding	(351)	(40)	(22)	(413)	—
Arbitrage rebate liability	435	—	(435)	—	—
Net pension obligation	7,291	19,236	—	26,527	—
Accrued vacation, compensatory,					
and sick time benefits	24,511	17,938	(16,048)	26,401	17,410
Landfill closure	220	39	(25)	234	139
Claims and judgments payable	24,856	27,913	(37,056)	15,713	11,337
Governmental activities long-term					
liabilities	<u>\$ 634,421</u>	<u>121,805</u>	<u>(84,479)</u>	<u>671,747</u>	<u>60,367</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Also, for the governmental activities claims and judgments payable, accrued vacation, compensatory and sick leave benefits, net pension obligations, and landfill closure costs are generally liquidated by the general fund.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

	Balance, June 30, 2003	Additions	Reductions	Balance, June 30, 2004	Due Within One Year
Business-type activities:					
Airport:					
Revenue bonds payable	\$ 961,520	—	(31,010)	930,510	35,775
Net pension obligation	1,172	1,815	—	2,987	—
Other	2,599	856	(352)	3,103	—
Accrued vacation, compensatory, and sick time benefits	4,664	3,288	(3,115)	4,837	4,837
Unamortized discounts, premiums, and deferred amounts on refunding	(3,206)	—	1,719	(1,487)	—
Total Airport	966,749	5,959	(32,758)	939,950	40,612
Water Division:					
Revenue bonds payable	38,920	—	(2,235)	36,685	2,365
Customer deposits	1,322	32	—	1,354	—
Net pension obligation	884	1,128	—	2,012	—
Other	501	—	(53)	448	—
Accrued vacation, compensatory, and sick time benefits	2,949	1,505	(1,534)	2,920	2,920
Unamortized discounts, premiums, and deferred amounts on refunding	(1,981)	—	315	(1,666)	—
Total Water Division	42,595	2,665	(3,507)	41,753	5,285
Parking Division:					
Revenue bonds payable	62,515	13,612	(7,993)	68,134	1,450
Net pension obligation	235	340	—	575	—
Accrued vacation, compensatory, and sick time benefits	146	321	(300)	167	167
Unamortized discounts, premiums, and deferred amounts on refunding	(2,833)	—	152	(2,681)	—
Total Parking Division	60,063	14,273	(8,141)	66,195	1,617
Business-type activities long-term liabilities	\$ <u>1,069,407</u>	<u>22,897</u>	<u>(44,406)</u>	<u>1,047,898</u>	<u>47,514</u>

b. General Obligation Bonds

In June 1999, the City issued \$65,000 Public Safety General Obligation Bonds, Series 1999. The series consisted of \$64,305 current interest serial bonds due in the years 2000 through 2008 and 2010 through 2019 with rates ranging from 4% to 5.125%. The 2009 maturity is entirely capital appreciation bonds in the amount of \$695 sold to yield 5.15% and mature at \$3,655 (collectively, the "Series 1999 bonds"). The proceeds of the Series 1999 bonds are being used as follows: (i) \$44,000 for new fire equipment, new fire

communication equipment, reconstruction and renovation of various existing fire houses, and new construction of fire houses; (ii) \$10,000 for new police laboratory equipment, reconstruction, and renovation of existing police buildings, and; (iii) \$11,000 for demolition and abatement of various abandoned or condemned buildings under the control of the City. The Series 1999 bonds are payable from ad valorem taxes to be levied without limitation as to rate or amount upon all taxable, tangible property, real, and personal property within the City. The principal and interest on the Series 1999 bonds is guaranteed under a municipal bond new issue insurance policy issued by Financial Guaranty Insurance Company. Principal payments are made from other governmental funds.

Principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2005	\$ 3,100	2,540	5,640
2006	3,245	2,400	5,645
2007	3,400	2,253	5,653
2008	3,570	2,088	5,658
2009	695	4,872	5,567
2010-2014	16,480	7,998	24,478
2015-2019	21,230	3,370	24,600
	<u>\$ 51,720</u>	<u>25,521</u>	<u>77,241</u>

c. Section 108 Loan Guarantee Assistance Programs

During 2001, the City entered into contracts with the U.S. Department of Housing and Urban Development for Section 108 loan guarantee assistance for the following maximum amounts:

- \$50,000 for Downtown Convention Headquarters Hotel project
- \$20,000 for Darst-Webbe Housing Redevelopment project
- \$10,000 for neighborhood projects

During 2001, the City issued a note in the amount of \$50,000 for the Downtown Convention Headquarters Hotel project. Additionally, during 2001, the City received \$5,000 in an advance funding draw for the Darst-Webbe Housing Redevelopment project. The \$50,000 note is intended to spur redevelopment in the downtown area. The \$50,000 note is a 20-year note at a variable rate of interest. The \$5,000 received during 2001 was an advance funding draw note related to the \$20,000 Darst-Webbe Housing Redevelopment project. During 2002, the City finalized each of the three loans at fixed rates ranging from 3.66% to 6.62%, and received the remaining \$15,000 draw for the Darst-Webbe Housing Redevelopment project, as well as the \$10,000 funding for neighborhood projects. The Darst-Webbe note is a 20-year note with final payment due in fiscal 2021.

The five-year, \$10,000 note for neighborhood improvement projects will be used for housing rehabilitation, land acquisition, capital improvements, commercial district improvements, and public improvements. Final payment is due during fiscal 2007.

Principal and interest requirements for the combined Section 108 program notes are as follows:

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2005	\$ 4,280	4,207	8,487
2006	4,550	3,995	8,545
2007	4,850	3,756	8,606
2008	2,740	3,557	6,297
2009	2,920	3,402	6,322
2010 – 2014	17,580	14,191	31,771
2015 – 2019	23,830	7,886	31,716
2020 – 2021	11,750	788	12,538
	<u>\$ 72,500</u>	<u>41,782</u>	<u>114,282</u>

d. Federal Financing Bank Advances

Federal Financing Bank Advances represent promissory notes issued by the Federal Financing Bank to the City for redevelopment projects. These notes were issued under Section 108 of the Housing and Community Development Act of 1974. Interest is payable semiannually based on rates established by the secretary of the treasury on the dates the notes are made. These notes and the related interest will be repaid from intergovernmental revenues of the grants fund. In 1997, the City signed a new contract and loan agreement under Section 108 in the amount of \$1,000. The proceeds were used to fund a portion of a multi-modal distribution center, which integrates trucking, railway, and waterway transportation and distribution channels. The loan initially consisted of 20 variable rate notes, due in July of each year, to be retired over the 20 years ending July 2016. Interest, payable semiannually and calculated monthly, is based on the variable rate of LIBOR plus 0.2%. In October 1997, the notes were changed to fixed rates with interest due in February and August of each year. The notes currently bear interest at rates ranging from 5.87% to 7.08%.

Principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2005	\$ 40	53	93
2006	40	51	91
2007	45	48	93
2008	50	45	95
2009	50	42	92
2010 – 2014	325	140	465
2015 – 2017	255	28	283
	<u>\$ 805</u>	<u>407</u>	<u>1,212</u>

e. Tax Increment Financing Bonds and Notes Payable

In 1991, the City issued \$15,000 in tax increment financing bonds (Series 91 TIF Bonds) to provide funds to enable the City to acquire certain land and, upon such land, among other things, to widen and improve an existing street. Other governmental funds are used to account for the revenues, expenditures, including debt service, and other activities related to the Series 91 TIF Bonds. The Series 91 TIF Bonds constitute special obligations of the City, and are payable from payments in lieu of taxes from owners or property within the Scullin Redevelopment Tax Increment Financing Area (the 91 Area). In the event these payments are not sufficient to meet the debt service requirements, the Series 91 TIF Bonds are payable, first, from the additional tax revenue generated by increases in economic activities in the 91 Area, other than personal property tax revenue, and, second, from any monies legally available in the City's general fund. During 2004, \$609 of payments in lieu of taxes and \$1,316 in economic activity taxes were received. The Series 91 TIF Bonds bear interest at the rate of 10% per year, mature on August 1, 2010, and are subject to mandatory redemption prior to maturity.

Additionally, from time to time, the City issues tax increment financing bonds and notes payable to developers in conjunction with various redevelopment projects throughout the City. These are special limited obligations of the City, payable solely from the payments in lieu of taxes and increased economic activity taxes generated by the redevelopment areas. No other City monies are pledged to repay these bonds and notes and, should these financing sources be insufficient to repay the bonds and notes prior to their stated maturity dates, the City's obligation under the bonds and notes will cease. As of June 30, 2004, the City had \$21,627 in tax increment financing (TIF) bonds and notes payable outstanding, at interest rates ranging from 6% to 10%, payable in various installments through 2025.

Principal and interest requirements for the tax increment financing debt issues are as follows:

	<u>Series 91 TIF Bonds</u>		<u>TIF Bonds and Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:				
2005	\$ 960	859	676	1,536
2006	1,055	758	818	1,557
2007	1,160	647	882	1,495
2008	1,275	525	951	1,429
2009	1,405	391	1,025	1,357
2010 – 2014	3,210	327	5,948	5,519
2015 – 2019	—	—	4,846	2,051
2020 – 2024	—	—	6,029	1,390
2025	—	—	452	35
	<u>\$ 9,065</u>	<u>3,507</u>	<u>21,627</u>	<u>16,369</u>

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

f. Master Note Purchase Agreement

In February 2000, the SLMFC, the City, and the Federal National Mortgage Association (Fannie Mae) entered into a Master Note Purchase Agreement (Series 2000 Note) to provide a low-interest, second mortgage for use as down payment and/or to pay other purchase costs to those who buy a single family residence in the City. The City provided a deposit of \$250 into a note reserve account and SLMFC pledged all payments of interest and principal from the homeowners as payment for the Fannie Mae \$1,250 loan. The SLMFC obligation is limited to the monies in the various accounts established by the agreement including the note reserve account. A trustee holds the loan proceeds to be used exclusively for the City of St. Louis Homebuyers Incentive Program (CHIPS). The program is designed to provide funding to assist homebuyers with a down payment and closing costs associated with the purchase of a home. The loan bears interest at the rate of 8.27% per annum and will mature on March 1, 2011 subject to prepayment based on the payment of the second loans to homeowners. The principal will be paid from other governmental funds. During 2003, the remaining principal of \$440 relating to the Series 2000 Note was paid in full.

In November 2001, the SLMFC, the City, and Fannie Mae amended the Series 2000 Note. Under the amendment, Fannie Mae purchased a Series 2001 Note in the amount of \$460 from SLMFC. The amendment required the City to provide an additional deposit of \$130 into a Series 2001 Note reserve account, and required SLMFC to pledge all payments of principal and interest from the homeowners as payment for the Series 2001 Note. A portion of the proceeds of the Series 2001 Note, along with a portion of the Series 2000 Note reserve account, was used to prepay a portion of the Series 2000 Note in the amount of \$650. A portion of the Series 2001 Note provided additional funds for the CHIPS. The Series 2001 Note bears interest at the rate of 5.21% per annum and will mature on December 1, 2012, subject to prepayment based upon the payment of the second loans to homeowners. As of June 30, 2004, the balance of the note outstanding is \$181.

g. Loan Agreement with Missouri Department of Natural Resources

In July 2001, the City agreed to enter into a loan agreement with the Missouri Department of Natural Resources (DNR) pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of \$2,000 at an annual interest rate of 4.35%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR. During fiscal year 2004, the City made draws of \$1,953 against the loan agreement. The purpose of this funding is to convert signal lights to LED fixtures resulting in a projected savings of \$395 per year in electricity costs.

In April 2003, the City agreed to enter into a second loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of \$1,613 at an annual interest rate of 2.95%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR. As of June 30, 2004, the City has not drawn against the loan agreement.

Principal and interest requirements under the loan agreement with the Missouri Department of Natural Resources are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2005	\$ 324	70	394
2006	338	57	395
2007	352	43	395
2008	366	28	394
2009	381	13	394
2010	37	1	38
	<u>\$ 1,798</u>	<u>212</u>	<u>2,010</u>

h. Component Unit—SLDC Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLDC for the year ended June 30, 2004:

	<u>Balance, June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2004</u>	<u>Due Within One Year</u>
Due to other governmental agencies	\$ 9,108	985	(1,802)	8,291	1,071
Notes payable	12,747	744	(3,561)	9,930	5,760
Other liabilities	5,522	7,116	(7,733)	4,905	2,552
Revenue bonds	13,560	—	(240)	13,320	260
	<u>\$ 40,937</u>	<u>8,845</u>	<u>(13,336)</u>	<u>36,446</u>	<u>9,643</u>

Maturities on notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2005	\$ 5,760	418	6,178
2006	1,509	286	1,795
2007	657	211	868
2008	709	158	867
2009	766	101	867
2010 – 2011	529	40	569
	<u>\$ 9,930</u>	<u>1,214</u>	<u>11,144</u>

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

Revenue bonds outstanding at June 30, 2004 consist of LCRA Parking Facility Revenue Bonds Series 1999A (Series 1999A bonds), Parking Facility Revenue Refunding Bonds Series 1999B (Series 1999B bonds), and Parking Facility Revenue Refunding and Improvement Bonds Series 1999C (Series 1999C bonds) (Bonds). Collectively, the Bonds are dated October 21, 1999.

The Series 1999A bonds with an original issue amount of \$2,470 are due at intervals until September 1, 2009. These bonds carry rates of interest ranging from 7.625% to 9.0%

The Series 1999B bonds with an original issue amount of \$8,300 are due at intervals until September 1, 2019, and are payable solely from, and secured by, a pledge of gross revenues from the operation of SLDC Parking Facilities' St. Louis Centre East parking garage. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. These bonds carry rates of interest ranging from 6.5% to 7.0%.

The Series 1999C bonds with an original issue amount of \$3,040 are due September 1, 2024. Bond proceeds are to repay an LCRA note payable and construct a parking lot on a portion of the St. Louis Centre North Garage premises. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. These bonds carry a rate of interest of 7.05%.

Debt service requirements to maturity for SLDC revenue bonds are as follows:

	Series 1999A		Series 1999B		Series 1999C	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending						
June 30:						
2005	\$ 260	166	—	569	—	214
2006	285	142	—	569	—	214
2007	310	115	—	569	—	214
2008	335	86	—	569	—	214
2009	365	55	—	569	—	214
2010 – 2014	425	19	2,105	2,544	—	1,072
2015 – 2019	—	—	3,125	1,648	—	1,072
2020 – 2024	—	—	3,070	107	1,980	869
2025	—	—	—	—	1,060	37
	<u>\$ 1,980</u>	<u>583</u>	<u>8,300</u>	<u>7,144</u>	<u>3,040</u>	<u>4,120</u>

i. Component Unit—SLPD Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLPD for the year ended June 30, 2004:

	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2004</u>	<u>Due Within One Year</u>
Accrued banked overtime, vacation, and sick time leave	\$ 28,633	2,129	(2,733)	28,029	7,746
Capital lease obligation	6,511	39	(1,028)	5,522	1,210
Workers' compensation	24,778	19,849	(5,416)	39,211	5,955
Net pension obligation	1,325	1,516	—	2,841	—
	<u>\$ 61,247</u>	<u>23,533</u>	<u>(9,177)</u>	<u>75,603</u>	<u>14,911</u>

Police Patrol Buildings

In December 1987, SLPD entered into a lease-purchase agreement with the Missouri Economic Development, Export and Infrastructure Board (MEDB). In June 1994, the MEDB issued \$13,725 of Leasehold Revenue Bonds, Series 1994 (SLPD Series 1994 Bonds). In February 2003, the Industrial Development Authority of the St. Louis Development Corporation (IDA) issued \$6,665 in Series 2003 Leasehold Refunding Revenue Bonds (Series 2003 Bonds). Proceeds from the Series 2003 bonds were used to defease the previously issued Series 1994 Bonds.

The IDA acquired the police patrol buildings from the MEDB and leased them to SLPD in a lease purchase agreement dated February 1, 2003. Lease payments are payable from tax proceeds generated from the capital improvements sales tax, a 1/2 cent City sales tax increase approved by the voters on August 3, 1993. The Series 2003 Bonds are not legal obligations of SLPD or the City, but are to be paid by the lease payments described below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2005	\$ 1,210	105	1,315
2006	1,235	80	1,315
2007	1,255	55	1,310
2008	1,945	21	1,966
	<u>\$ 5,645</u>	<u>261</u>	<u>5,906</u>
Unamortized premium	31		
Unamortized deferred amount on refunding	<u>(154)</u>		
	<u>\$ 5,522</u>		

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

14. CAPITAL LEASES

Certain City services are provided by equipment financed under various capital lease agreements as follows:

a. Capital Lease—Rolling Stock

In March 2000, the City entered into a capital lease agreement with Banc One Leasing Corporation in the amount of \$9,000 at a rate of 5.8%. Proceeds of the lease are to be used to purchase certain rolling stock such as dump trucks and refuse trucks. In September 2002, the City refinanced its existing capital lease agreement with Banc One Leasing Corporation resulting in a new balance of \$7,889. This revised capital lease agreement supercedes the capital lease agreement entered into during March 2000. In addition to refinancing the existing lease, the proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks, and computer software and hardware. The lease agreement payments are due in semi-annual installments from 2003 through 2009 with an annual interest rate of 3.6%.

Additionally, in June 2003, the City amended its capital lease agreement with Banc One Leasing Corporation to increase the capital lease by \$4,002 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in annual installments from 2004 through 2018 with an annual interest rate of 4.78%.

Principal payments of \$1,973 were made on these lease agreements in fiscal year 2004.

Year ending June 30:	
2005	\$ 2,488
2006	2,227
2007	1,301
2008	634
2009	635
2010 – 2014	2,063
2015 – 2018	<u>1,551</u>
Total future minimum lease payments	10,899
Amount representing interest	<u>(1,888)</u>
Present value of net minimum lease payments	<u>\$ 9,011</u>

Capital assets (equipment) of \$10,658 are recorded by the City on its statement of net assets in conjunction with these capital leases.

b. Capital Leases - Other

The City has a capital lease agreement for the purchase of digital equipment. This lease is due in annual installments through 2005 with an annual interest rate of 4.97%.

Year ending June 30:	
2005	\$ 94
Total future minimum lease payments	94
Amount representing interest	(4)
Present value of net minimum lease payments	\$ 90

Capital assets (equipment) of \$223 are recorded by the City on its statement of net assets in conjunction with this capital lease.

c. Capital Lease—Kiel Site Project – Obligation with Competent Unit

The City has a master lease agreement with SLDC, whereby the City has leased Stadium East Redevelopment Project and related property and portions of the City Block 210 (the Kiel Premises) to SLDC.

SLDC subleases the Kiel Premises back to the City. In 1998, SLDC issued two series of bonds for the purpose of refunding the outstanding bonds on which the City's lease payments were based. Pursuant to the master lease agreement, the lease payments made by the City are to be used by SLDC to fund annual debt service payments for SLDC's Kiel Site Lease Revenue Refunding Bonds, Series 1997A and B in the original amount of \$13,605. The Series 1997A and B bonds were issued by SLDC in September 1997, and the proceeds were used to retire SLDC's Station East Redevelopment Project Lease Revenue Bonds, Series 1990 and 1992. The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the general fund.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the Kiel Premises as of June 30, 2004.

Year ending June 30:	
2005	\$ 974
2006	970
2007	970
2008	973
2009	970
2010 – 2014	4,839
2015 – 2019	4,863
2020 – 2022	<u>2,934</u>
Total future minimum lease payments	17,493
Amount representing interest	<u>(6,073)</u>
Present value of net minimum lease payments	<u>\$ 11,420</u>

No capital assets are recorded by the City on its statement of net assets in conjunction with this capital lease due to the proceeds of this obligation being used for demolition and site preparation.

d. Capital Lease—Convention Center Hotel – Obligation with Component Unit

The City is subject to a Third Supplemental and Restated Lease Purchase Agreement (the Agreement) between the City, SLMFC and SLDC, whereby SLMFC leases the Convention Center to the City. In 2000, SLDC issued Series 2000 Compound Interest Leasehold Revenue Bonds (Series 2000 Bonds) in the amount of \$40,000 for the purpose of providing funding for the construction of a convention center hotel within the vicinity of the Convention Center. Under the Agreement, SLMFC has assigned its rights under the lease relative to the Series 2000 Bonds to SLDC. The City is required, beginning on July 15, 2011, to make lease payments to SLDC to fund the annual debt service payments for the Series 2000 Bonds. The City's obligation to make these lease payments to SLDC is subordinate to the City's obligation to meet the debt service requirements of the Series 1993A and Series 2003 Convention Center Leasehold Revenue Bonds (see note 15).

The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the capital projects fund. The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the capital lease as of June 30, 2004.

Year ending June 30:	
2005	\$ —
2006	—
2007	—
2008	—
2009	—
2010 – 2014	8,510
2015 – 2019	76,475
2020 – 2022	15,295
Total future minimum lease payments	<u>100,280</u>
Amount representing interest	<u>(60,280)</u>
Present value of net minimum lease payments	<u>\$ 40,000</u>

No capital assets are recorded by the City on its statement of net assets in conjunction with this capital lease due to the proceeds of this obligation being used for construction of a convention center hotel that is not owned by the City.

15. LEASEHOLD REVENUE IMPROVEMENT AND REFUNDING BONDS

a. Civil Courts

On June 1, 2003, the SLMFC issued \$23,400 in Leasehold Revenue Refunding Bonds (Series 2003A) with an average interest rate of 4.02% to advance refund \$22,480 of Series 1994 Bonds with an average interest rate of 6.08%. The net proceeds of \$24,434 (after the addition of a \$1,811 premium less a payment of \$777 in issuance costs) were deposited with the escrow agent under the escrow deposit agreement and, together with interest earnings thereon, will be applied to the payment of principal and interest on the Series 1994 Bonds maturing on August 1, 2003 and 2004, and to the redemption on August 1, 2004 of the remaining Series 1994 Bonds. As a result, the Series 1994 Bonds are considered defeased, and the liability for those bonds has been removed from the basic financial statements. As of June 30, 2004, \$20,940 of these defeased Series 1994 bonds remain outstanding.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

b. Convention Center

On July 15, 1993, SLMFC issued \$144,362 in Leasehold Revenue Refunding Bonds (Series 1993A Bonds). The Series 1993A Bonds were issued to refund bonds previously issued by SLDC (SLDC Bonds). Pursuant to the SLDC Bonds, SLDC held title to the Convention Center. Once the proceeds of the Series 1993A Bonds were deposited in an irrevocable trust to pay the principal and interest on the outstanding SLDC Bonds and certain other conditions were satisfied, the Convention Center property was conveyed to SLMFC. The Series 1993A Bonds consisted of current interest bonds (\$51,330 serial bonds and \$90,465 term bonds) and compound interest bonds with an initial offering price of \$2,567 and a final maturity amount on July 15, 2014 of \$9,615. The yield to maturity for the compound interest bonds at the initial offering price was 6.4%. Lease payments calculated to meet the principal, interest, and other costs related to the Series 1993A Bonds are paid for in the City's general fund.

On April 15, 2003, the SLMFC issued \$118,575 in Leasehold Revenue Refunding Bonds (Convention Center Project) with an average interest rate of 4.67% to advance refund the current interest bonds portion of the Series 1993A Bonds with an average interest rate of 5.87%. The net proceeds of \$125,373 (after the addition of a \$9,439 premium less a payment of \$2,641 in issuance cost) were deposited with the escrow agent under the escrow deposit agreement, and were applied on July 15, 2003 to the redemption of the \$119,960 of Series 1993A current interest leasehold revenue bonds. Thus, as of June 30, 2004, only the compound interest bonds of the Series 1993A bonds remain outstanding.

c. Justice Center

In August 1996, the SLMFC issued \$75,705 in Leasehold Revenue Improvement Bonds, Series 1996A (Series 1996A Bonds) and \$34,355 Leasehold Revenue Improvement and Refunding Bonds, Series 1996B (Series 1996B Bonds) (collectively, the 1996 Justice Center Bonds). The Series 1996A Bonds include serial bonds in the principal amount of \$20,155 and term bonds in the principal amount of \$55,550. The Series 1996B Bonds include serial bonds in the principal amount of \$23,500 and term bonds in the principal amount of \$10,835. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund redemption prior to their stated maturity dates.

The City's payments are secured by a pledge between the City and the trustee for the 1996 Justice Center Bonds, which authorizes the State to make direct payment to the trustee of the City's per diem reimbursement entitlements for costs incurred in boarding State prisoners. The City's payments are further insured by AMBAC. The principal amount of the bonds outstanding is recorded as a long-term liability. The City's payments for debt service are payable from the capital projects fund. Interest rates on the 1996 Justice Center Bonds range from 4.25% to 6.0%.

Proceeds from the Series 1996A Bonds were used to construct the City Justice Center, which replaced the former municipal jail that has been demolished and will house a total of 732 prisoners. The facility is a major addition to the City's justice system, bringing total detention capacity to over 1,500 beds. The City Justice Center site is located east of City Hall, south of the city-owned Carnahan Building, and west of the Thomas F. Eagleton Federal Courthouse. The City Justice Center is designed to meet standards established by the American Correctional Association.

In February 2000, the SLMFC issued \$22,025 in City Justice Center Leasehold Revenue Improvement Bonds (Series 2000A Bonds) for the purpose of financing the completion of the City Justice Center, and funding the debt service reserve fund with respect to the Series 2000A Bonds, and paying costs of issuance of the Series 2000A Bonds. The Series 2000A Bonds, bearing a stated maturity of February 15, 2010, are not subject to redemption prior to their stated maturities. The Series 2000A Bonds, bearing a stated maturity of February 15, 2011 are subject to optional redemption and payment prior to their stated maturities at the election of SLMFC, upon direction and instruction by the City on February 15, 2010, and, at any time thereafter, as a whole at any time in part at any time, and if, in part, in such order as the SLMFC shall determine, upon the direction and instruction by the City in its sole discretion, at redemption prices ranging from 100% to 101%, plus accrued interest thereon, to the redemption date.

The principal amount of the bonds outstanding is recorded as a long-term liability of the City. The City's payments for debt service are payable from the capital projects fund. Interest rates on the Justice Center 2000A Bonds range from 4.75% to 6.0%.

On September 1, 2001, the SLMFC issued \$62,205 in City Justice Center Leasehold Revenue Bonds (Series 2001A bonds) with an average interest rate of 4.93% to advance refund \$58,115 of Series 1996A bonds with an average interest rate of 5.93%. As a result, this portion of the Series 1996A Bonds are considered to be defeased, and the liability for those bonds has been removed from the basic financial statements. As of June 30, 2004, \$58,115 of these defeased Series 1996A Bonds remain outstanding.

d. Forest Park

On March 1, 1997, the SLMFC issued \$19,270 in Forest Park Leasehold Revenue Improvement Bonds, Series 1997 (Series 1997 Bonds). The City has agreed, subject to annual appropriation, to make payments from the Forest Park Subaccount in the capital projects fund sufficient for the prompt payment when due of the principal, and interest on the Series 1997 Bonds. As long as any Series 1997 Bonds remain outstanding, the percentage of the one-half cent capital improvements sales tax approved by City voters on August 3, 1993 allocated to the Forest Park subaccount may not be reduced. Payments of principal and interest on the Series 1997 Bonds are insured by a policy of municipal bond insurance issued by Financial Guaranty Insurance Company. Interest is payable February 15 and August 15 of each year and principal is payable February 15 of each year until final maturity in 2022. Interest rates on the serial bonds payable 1998 through 2012 range from 3.7% to 5.375% and the term bonds due in 2017 and 2022 have a rate of 5.5%. The City's debt service payments are made from the capital projects fund.

The proceeds of the Series 1997 Bonds were used to fund a major portion of the City's contribution toward the estimated \$86,000 Forest Park Master Plan (Plan). The Plan emphasized technical and environmental designs that are economical to maintain with a "river-like" flowing water system, simplified road system, and an added 7,500 trees. The Plan was completed in five phases through 2004.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

e. Firemen's System

On April 1, 1998, the SLMFC issued \$28,695 in Firemen's Retirement Systems Lease Revenue Bonds, Series 1998 (Series 1998 Bonds). Interest is paid semiannually on the bonds at the rate of 5.6% to 6.55%. The Series 1998 Bonds are subject to mandatory sinking fund redemption prior to maturity.

The City has covenanted, subject to annual appropriation, to pay rental payments at such times and in such amounts as are necessary to assure that no default in the payment of principal, premium, or interest on the Series 1998 Bonds occurs. The Series 1998 Bonds are further secured by a mortgage and deed of trust lien upon the facility (defined as the sites, building, structures, improvements, and fixtures occupied by the City's Fire Department Headquarters Building and 30 neighborhood engine houses) pursuant to the Deed of Trust and Security Agreement dated as of April 1, 1998. The principal amount of the bonds outstanding is recorded as a long-term liability. The City's payments for debt service are payable from the general fund.

The proceeds derived from the sale of the Series 1998 Bonds will be used to prepay a portion of the City's unfunded accrued actuarial liabilities in the form of a contribution to the Firemen's Retirement System and to pay cost of issuance for the Series 1998 Bonds.

f. Carnahan Courthouse

On April 1, 2002, the SLMFC issued \$21,750 in Leasehold Revenue Bonds, Series 2002A (Series 2002A). The bonds include serial bonds in the principal amount of \$12,310, and term bonds in the amount of \$9,440. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund prior to their stated maturity date of February 15, 2027. The mandatory redemption begins February 15, 2023 and each February 15th thereafter, including February 15, 2027. The proceeds of the Series 2002A bonds are being used to finance the acquisition and renovation of the Carnahan Courthouse.

The City's payments are secured by a pledge agreement between the City and the Series 2002A trustee. The City's payments are further insured by the Financial Guaranty Insurance Company (FGIC). Interest rates on the bonds range from 4.81% to 5.40%.

g. Principal and Interest Requirements

Principal and interest requirements for the Leasehold Revenue Improvement and Refunding Bonds are as follows:

	Civil Courts		Convention Center	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2005	\$ 1,850	911	7,065	5,387
2006	1,905	853	8,755	5,114
2007	1,985	769	9,590	4,764
2008	2,075	677	13,445	4,277
2009	2,155	589	11,675	3,688
2010 – 2014	12,345	969	60,525	10,426
2015	-	-	10,086	7,229
	<u>\$ 22,315</u>	<u>4,768</u>	<u>121,141</u>	<u>40,885</u>

	Justice Center		Forest Park	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2005	\$ 4,935	5,797	515	865
2006	5,380	5,544	540	841
2007	5,860	5,268	565	816
2008	6,160	4,964	590	788
2009	6,490	4,638	620	759
2010 – 2014	40,830	18,720	3,620	3,270
2015 – 2019	41,315	6,353	4,725	2,168
2020 – 2022	1,760	106	4,945	630
	<u>\$ 112,730</u>	<u>51,390</u>	<u>16,120</u>	<u>10,137</u>

	Fireman's System	
	Principal	Interest
Year ending June 30:		
2005	\$ 2,055	1,062
2006	2,185	927
2007	2,325	784
2008	2,475	629
2009	2,635	465
2010 – 2011	5,795	386
	<u>\$ 17,470</u>	<u>4,253</u>

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

	Carnahan Courthouse	
	Principal	Interest
Year ending June 30:		
2005	\$ —	1,139
2006	—	1,139
2007	—	1,139
2008	—	1,139
2009	—	1,139
2010 – 2014	1,050	5,693
2015 – 2019	6,205	4,726
2020 – 2024	7,990	2,938
2025 – 2027	6,505	713
	<u>\$ 21,750</u>	<u>19,765</u>

16. JOINT VENTURE FINANCING AGREEMENT**a. St. Louis Regional Convention and Sports Complex Authority (Authority)**

In April 1990, the Authority was established as a separate legal entity by an act of the Missouri State legislature to acquire, purchase or lease, and construct, operate, and maintain convention centers, sports stadiums, field houses, indoor and outdoor convention, recreational, and entertainment facilities, and to do all things incidental or necessary to facilitate these purposes.

b. Series C 1991 Bonds and Series C 1997 Bonds (Series C Bonds)

On August 15, 1991, the City sponsored the issuance of \$60,075 in Convention and Sports Facility Project Bonds Series C 1991 (Series C 1991 Bonds). The Series C Bonds were issued by the Authority, together with the proceeds of the Authority's \$132,910 principal amount of Convention and Sports Facility Project Bonds, Series A 1991 (State, Sponsor) (Series A Bonds) and the Authority's \$65,685 principal amount of Convention and Sports Facility Bonds, Series B 1991 (County, Sponsor) (Series B Bonds). The Series A Bonds, the Series B Bonds, and the Series C 1991 Bonds (collectively, the Project Bonds) were issued for the purpose of providing funds to finance the costs of acquiring land and constructing thereon an eastward expansion of the Cervantes Convention Center to be used as a multipurpose convention and indoor sports facility (Project).

During February 1997, the Authority issued Convention and Sports Facility Project and Refunding Bonds Series C 1997 (Series C 1997 Bonds) in the amount of \$61,285. The proceeds were used to refund, in advance of maturity, \$47,155 of the Series C 1991 bonds. A portion of the Series C 1991 Bonds maturing on August 15, 2021 are not subject to optional redemption and \$8,820 remain outstanding. Approximately \$2,100 of the proceeds were used for various project improvements.

The Authority entered into a Project Financing Construction and Operation Agreement (Financing Agreement) dated August 1, 1991 with the City, State, and County (collectively, the Sponsors) providing for the application of the proceeds of the Project Bonds, for the repayment of the Project Bonds, and for the operation and maintenance of the Project. Pursuant to the Financing Agreement, the Authority will lease the Project to the Sponsors who will sublease the project back to the Authority. The rental payments made by the Sponsors under the Financing Agreement are designed to be sufficient to pay the principal and interest on the Project Bonds. The preservation payments to be made by the Sponsors under the Financing Agreement will be used to pay for repairs and replacement of major Project components and renovation necessary to maintain the Project. A portion of the preservation payments from each sponsor was deposited to the bond fund of the Authority each year from 1994 through 1999 to pay principal and interest on the Project Bonds. On August 1 and February 1 of each year, the City is obligated (subject to appropriations) to make rental payments of \$2,500 and preservation payments of \$500 regardless of the principal and interest payments due.

At June 30, 2004, the City's obligation for the Series C Bonds and net preservation payments (after deposits to the bond fund) payable from the general fund under the Financing Agreement is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Preservation Payments</u>	<u>Total</u>
Year ending June 30:				
2005	\$ 2,010	2,939	1,051	6,000
2006	2,105	2,842	1,053	6,000
2007	2,200	2,739	1,061	6,000
2008	2,310	2,630	1,060	6,000
2009	2,420	2,513	1,067	6,000
2010 – 2014	14,100	10,484	5,416	30,000
2015 – 2019	18,305	6,176	5,519	30,000
2020 – 2022	13,480	1,135	385	15,000
	<u>\$ 56,930</u>	<u>31,458</u>	<u>16,612</u>	<u>105,000</u>

Series C Bonds' principal and the preservation payments are included in the City's basic financial statements as a long-term liability.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

17. REVENUE BONDS PAYABLE**a. Airport**

Bonds outstanding at June 30, 2004 are summarized as follows:

Bond Series 1993, interest rates ranging of 6.15%, payable through 2005	\$ 12,245
Bond Series 1996, interest rates ranging from 5.05% to 5.35%, payable in varying amounts through 2008	15,885
Bond Series 1997, interest rates ranging from 4.50% to 6%, payable in varying amounts through 2028	190,500
Bond Series 1998, interest rates ranging from 4.0% to 5.13%, payable in varying amounts through 2016	67,930
Bond Series 2001A, interest rates ranging from 4.13% to 5.63%, payable in varying amounts through 2032	435,185
Bond Series 2002, Series A, B, and C, interest rates ranging from 2.50% to 5.50%, payable in varying amounts through 2033	112,965
Bond Series 2003A, interest rates ranging from 2.38% to 5.25%, payable in varying amounts through 2019	70,340
Bond Series 2003B, interest rates ranging from 1.88% to 2.05%, payable in varying amounts through 2006	25,460
	<u>930,510</u>
Less:	
Current maturities	(35,775)
Unamortized discounts and premiums	5,299
Deferred amounts on refunding	(6,786)
	<u>\$ 893,248</u>

On December 19, 2002, the Airport issued \$69,195 in Series 2002A (Capital Improvement Program) Airport Revenue Bonds for the purpose of financing or reimbursing a portion of the cost of construction, improvement, renovation, expansion, rehabilitation, and equipping of certain capital improvement projects at the Airport. The net proceeds from the Series 2002A Bonds were \$68,886 (after the addition of \$1,710 net issue premium and the payment of \$2,019 in underwriting fees, insurance, and other issuance costs). The Series 2002A Bonds are secured by the net revenues from the operations of the Airport.

On December 19, 2002, the Airport issued \$31,755 in Series 2002B (Capital Improvement Program) Airport Revenue Bonds for the purpose of financing or reimbursing a portion of the cost of construction, improvement, renovation, expansion, rehabilitation, and equipping of certain capital improvement projects at the Airport. The net proceeds from the Series 2002B Bonds were \$30,751 (after the deduction of \$83 original issue discount and the payment of \$921 in underwriting fees, insurance, and other issuance costs). The Series 2002B Bonds are secured by the net revenues from the operations of the Airport.

On December 19, 2002, the Airport issued \$17,035 in Series 2002C Revenue Refunding Bonds with an average interest rate of 4.8% to current refund \$17,070 of outstanding 1992 Series bonds with an average interest rate of 5.7%. The net proceeds of \$17,584 (after the addition of a net issue premium of \$925 and payment of \$376 in underwriting fees, insurance, and other issuance costs) plus an additional \$429 of 1992 Series debt service monies were deposited into an irrevocable trust with an escrow agent to redeem the 1992 Series on February 1, 2003 at a premium of \$341.

On February 25, 2003, the Airport issued \$70,340 in Series 2003A Revenue Refunding Bonds with an average interest rate of 5.4% to refund \$75,780 of outstanding 2000 Series Letter of Intent Bonds with an average interest rate of 7.1%. The net proceeds of \$73,024 (after the addition of a net issue premium of \$4,453 and payment of \$1,769 in underwriting fees, insurance, and other issuance costs) plus an additional \$36,036 of 2000 Series debt service monies were deposited into an irrevocable trust with an escrow agent to provide for the redemption of the 2000 Series Letter of Intent Double Barrel Revenue Bonds on July 1, 2003 at a premium of \$674. As a result, the 2000 Letter of Intent Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

On May 29, 2003, the Airport issued \$29,520 in Series 2003B Taxable Revenue Refunding Bonds with an average interest rate of 2.1% to refund \$12,990 of outstanding 1993 Series Taxable Revenue Refunding bonds maturing July 1, 2005 and \$14,800 of outstanding 1993A Series Taxable Revenue Refunding bonds maturing July 1, 2004 and 2005 with an average interest rate of 8.1%. The net proceeds of \$28,945 (after the addition of a net issue premium of \$31 and payment of \$606 in underwriting fees, insurance, and other issuance costs) plus an additional \$3,238 of 1993 and 1993A Series debt service monies were deposited into an irrevocable trust with an escrow agent to provide for the redemption of the 1993 Series payment maturing July 1, 2005 and 1993A Series payment maturing July 1, 2004 and 2005 on July 1, 2003 at a premium of \$556. As a result, the portion of 1993 Series payment maturing July 1, 2005 and the portion of 1993A Series payments maturing July 1, 2004 and 2005 are considered to be defeased and the liability for those bonds have been removed from the financial statements.

On July 11, 2003, the Airport defeased \$3,285 of Series 1997 Bonds by placing funds in an irrevocable trust to provide for the July 1, 2004 debt service payment on these bonds. Accordingly, the trust account assets and the liability of the defeased bonds are not included in the Airport's financial statements. At June 30, 2004, \$3,285 of the Series 1997 Bonds are considered defeased.

The deferred amounts on refunding of \$6,787 at June 30, 2004 relate to the refunded Bond Series 1984, Bond Series 1987, Bond Series 1992, Bond Series 1993, Bond Series 1993A, and Bond Series 2000, and are included in revenue bonds payable. The deferred amounts on refunding are amortized as a component of interest expense using the bonds outstanding method over the life of the new bonds.

Management of the Airport is not aware of any violations of significant bond covenants with respect to the above issues at June 30, 2004.

As of June 30, 2004, the Airport's aggregate debt service requirements for the next five years and in five-year increments thereafter are as follows:

Principal	Interest	Total
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City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

Year ending June 30:

2005	\$	35,775	46,985	82,760
2006		23,390	45,649	69,039
2007		16,235	44,843	61,078
2008		31,495	43,727	75,222
2009		28,440	42,261	70,701
2010 – 2014		165,805	186,629	352,434
2015 – 2019		184,745	138,878	323,623
2020 – 2024		166,320	93,293	259,613
2025 – 2029		177,960	48,505	226,465
2030 – 2034		100,345	8,636	108,981
	\$	<u>930,510</u>	<u>699,406</u>	<u>1,629,916</u>

In prior years, the Airport advance refunded \$252,790 of Airport Revenue Bonds by placing funds in an irrevocable trust to provide for all future debt service payments on these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2004, \$108,500 of outstanding revenue bonds are considered defeased.

b. Water Division

Water revenue bonds outstanding at June 30, 2004 are payable solely from, and secured by, a pledge of net revenues from the operation of the Water Division and are summarized as follows:

Series 1994 Water Revenue Bonds, 5.0% to 5.95%, payable in varying amounts through July 1, 2006	\$	7,510
Series 1998 Water Revenue Bonds, 4.0% to 4.75% payable in varying amounts through July 1, 2014		<u>29,175</u>
		36,685
Less:		
Current maturities		(2,365)
Deferred amount on refunding of a portion of the 1994 Water Revenue Bonds		(1,542)
Unamortized discounts		<u>(124)</u>
	\$	<u><u>32,654</u></u>

1) Series 1994 Water Revenue Bonds

In April 1994, the Water Division issued \$51,570 in revenue refunding and improvement bonds (Series 1994 Bonds). The Series 1994 Bonds are payable solely from, and secured, by the revenues of the waterworks system. The Series 1994 Bonds were issued as part of the \$170,000 of bonds approved by voters at an election held April 6, 1993. The Series 1994 Bond proceeds were principally used to finance the construction of improvements to the waterworks system, to refund and defease all of the outstanding Series 1985 Bonds, and pay the costs of the bonds' issuance. Proceeds of the Series 1994 Bonds were also used to pay the premiums of a municipal bond insurance policy issued by Financial Guaranty Insurance Company. This policy, which

guarantees the payment of principal and interest on the Series 1994 Bonds, is noncancelable and extends for the term of the Series 1994 Bonds. The Water Division is subject to certain covenants under the Series 1994 Bonds.

As noted above, a portion of the Series 1994 Bond proceeds will fund the construction of certain improvements to the waterworks system. These projects are: (1) improvements to the Chain of Rocks treatment plant sedimentation basin, (2) the rehabilitation of the 60-inch Conduit No. 1 from the Howard Bend treatment plant, (3) chlorination system improvements at the Howard Bend and Chain of Rocks plants, and (4) the improvement of the Compton Hill Reservoir. These projects respond to changing environmental regulations and maintaining the integrity and reliability of the waterworks system.

Construction on the Compton Hill Reservoir and the rehabilitation of the 60-inch Conduit No. 1 from the Howard Bend treatment plant were completed in 1999 for total costs of \$22,664 and \$10,714, respectively. Chain of Rocks treatment plant sedimentation basins were completed in 2001 for a total cost of \$24,490. Chlorination system improvements were completed in 2002 for a total cost of \$7,268.

2) Series 1998 Water Revenue Bonds

In December 1998, the Water Division issued \$29,225 in Water Revenue Refunding Bonds (Series 1998 Bonds) with an average interest rate of 4.56% to advance refund \$27,775 of the outstanding Series 1994 Bonds, maturing between 2007 and 2014, with an average interest rate of 6.02%. The net proceeds of \$28,451 (after the subtraction of an original issue discount of \$190 and the payment of \$584 in underwriting fees and other issuance costs) plus an additional \$2,508 of Series 1994 Bonds debt service fund monies were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the \$27,775 principal of the Series 1994 Bonds. As a result, this portion of the Series 1994 Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. At June 30, 2004, \$27,775 of the defeased Series 1994 Bonds are outstanding.

Proceeds of the Series 1998 Bonds were also used to pay the premiums of a municipal bond insurance policy issued by AMBAC Assurance Corporation. This policy, which guarantees the payment of principal and interest on the Series 1998 Bonds, is noncancelable and extends for the term of the Series 1998 Bonds. The Water Division is subject to certain covenants under the Series 1998 Bonds.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

Debt service requirements to maturity of the 1994 and 1998 Water Revenue Bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2005	\$ 2,365	1,590	3,955
2006	2,500	1,444	3,944
2007	2,645	1,286	3,931
2008	2,850	1,169	4,019
2009	3,300	1,032	4,332
2010 – 2014	18,755	2,780	21,535
2015	4,270	—	4,270
	<u>\$ 36,685</u>	<u>9,301</u>	<u>45,986</u>

c. Parking Division

Revenue bonds outstanding at June 30, 2004 are as follows:

Series 1996 Revenue Bonds, interest rates ranging from 3.6% to 5.375%, payable in varying amounts through 2021	\$ 23,085
Series 1999 Revenue Bonds, interest rates ranging from 5.75% to 7.375%, payable in varying amounts through 2021	10,445
Series 2002 Revenue Bonds, interest rates ranging from 5.50% to 7.25% payable in varying amounts through 2028	21,005
SLPCFC Series 2003A tax exempt revenue bonds interest rates variable not to exceeded 12% payable in varying amounts through 2028	6,730
SLPCFC Series 2003B taxable revenue bonds interest rates variable not to exceeded 5% payable in varying amounts through 2038	<u>6,869</u>
	68,134
Less:	
Current maturities	(1,450)
Unamortized discount and deferred loss on refunding	<u>(2,680)</u>
	<u>\$ 64,004</u>

On December 16, 2003, the Parking Division sold its parking facility at the Marquette Garage for \$6,980 net of closing costs. The proceeds of this sale, along with \$715 of Parking Division funds, were deposited into an irrevocable trust with an escrow agent to provide for the remaining principal and interest payments on the \$7,000 of Series 1998 revenue bonds outstanding, which had been issued on June 1, 1998 to construct and equip the parking facility at the Marquette Garage. As a result, the Series 1998 bonds are considered to be defeased and the liability for those bonds have been removed from the financial statements. The defeasance of the Series 1998 bonds resulted in a loss of \$916, which is reported as a nonoperating expense.

On November 20, 2003, the SLPCFC issued \$6,730 in Series 2003A Tax Exempt Parking Revenue Bonds at a variable interest rate not to exceed 12% and \$6,882 in Series 2003B Taxable Parking Revenue Bonds at a variable interest rate not to exceed 5% for the purpose of purchasing the Cupples Garage located in downtown St. Louis. The net proceeds of the bonds were \$13,127, after the deduction of \$485 in underwriting fees and issuance costs. The Series 2003A and 2003B bonds are secured solely by the net revenues of the Cupples Garage, and do not constitute a general obligation of the Parking Division or of the City.

On August 28, 2002, the Parking Division issued \$21,005 in Subordinated Parking Revenue Bonds with interest rates ranging from 5.50% to 7.25%. The bonds consist of \$17,865 in Series 2002A Subordinated Tax Exempt Parking Revenue Bonds, and \$3,140 in Series 2002B Subordinated Taxable Parking Revenue Bonds. The bonds were issued for the purpose of paying the costs of acquisition and construction of two parking facilities in downtown St. Louis and redeeming the Parking Division's outstanding short-term revenue bonds payable. The net proceeds from the bonds were \$19,842 (after the deduction of an original issue discount of \$341 and the payment of \$822 in underwriting fees and other issuance costs). The Series 2002 bonds are secured solely by the revenues from the parking garages constructed and certain other pledged Parking Division revenues, and do not constitute a general obligation of the City.

On November 1, 1999, the Parking Division issued \$11,420 in Parking Revenue Bonds with interest rates ranging from 5.75% to 7.375%. The bonds consist of \$5,840 Series 1999A Tax Exempt Bonds and \$5,580 Series 1999B Taxable Bonds. The net proceeds of the bonds, after payment of costs of issuance and the required deposits to the Series 1999 debt service reserve fund, together with other available funds, are to be used to design, construct, and equip a public parking facility on land owned by the City.

On December 5, 1996, the Parking Division issued \$25,820 in Parking Revenue Refunding Bonds with interest rates ranging from 3.600% to 5.375% to advance refund \$22,750 of outstanding Series 1992 bonds with interest rates ranging from 4.200% to 6.625%. The net proceeds of \$25,250 (after payment of \$570 of original issue discount) were used to pay underwriting fees, insurance, and other issuance costs, and the remaining proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1992 bonds. As a result, the Series 1992 bonds are considered defeased and the liability for those bonds have been removed from the financial statements. At June 30, 2004, no Series 1992 bonds remain outstanding.

The Parking Division issued the Series 1996 bonds with a par value of \$25,820 to (1) pay the remaining costs of completing the project (acquisition of real estate and the construction of a multilevel public

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

parking garage and other parking facilities), (2) retire the Series 1992 bonds, (3) pay issuance costs and (4) fund the debt service reserve fund. The Series 1996 bonds are payable from, and secured by, a pledge of (1) revenues to be generated from the operation of the project, (2) certain other parking revenues derived from the activities of the Parking Division, and (3) certain revenues from parking fines and penalties collected by the City's Traffic Violations Bureau.

Debt service requirements for the Parking Division revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2005	\$ 1,450	3,684	5,134
2006	1,492	3,604	5,096
2007	1,582	3,518	5,100
2008	1,670	3,427	5,097
2009	2,051	3,222	5,273
2010 – 2014	12,375	14,682	27,057
2015 – 2019	16,388	10,665	27,053
2020 – 2024	18,820	5,631	24,451
2025 – 2029	8,532	2,169	10,701
2030 – 2034	2,079	737	2,816
2035 – 2038	1,695	211	1,906
	<u>\$ 68,134</u>	<u>51,550</u>	<u>119,684</u>

18. SHORT-TERM DEBT

a. City

Short-term debt activity for the year ended June 30, 2004 was as follows:

	Balance June 30, 2003	Issued	Redeemed	Balance June 30, 2004
Tax revenue anticipation notes	\$ —	50,000	(50,000)	—

b. Airport

On May 1, 2004, the City's Board of Alderman authorized the Airport to issue Commercial Paper Notes, 2004 Program, in an aggregate principal amount not to exceed \$125,000 outstanding at any one time. On May 26, 2004, the Airport issued \$10,000 in Series 2004A Commercial Paper Notes, due August 17, 2004, at an annual interest rate of 1.1% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport. The net proceeds of the Series 2004A Commercial Paper Notes were \$9,110 (after the deduction of \$890 in issuance costs).

Following is a summary of the changes in commercial paper for the Airport for the year ended June 30, 2004:

	Balance June 30, 2003	Issued	Redeemed	Balance June 30, 2004
Commercial paper payable	\$ —	10,000	—	10,000

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

19. FORWARD PURCHASE AGREEMENTS**a. Objective of the Forward Purchase Agreements**

The Airport, Water Division, and Parking Division have entered into eleven forward purchase agreements with financial institutions, which guarantee a fixed rate of return on the invested proceeds of the debt service and debt service reserve funds of certain revenue bond issuances. The Airport, Water Division and Parking Division entered into these agreements in order to ensure that their investments will earn a guaranteed rate of interest regardless of fluctuations in market interest rates.

b. Terms

The terms of Airport forward purchase agreements I – VI are as follows:

	Airport I	Airport II	Airport III	Airport IV	Airport V	Airport VI
Date of origin	June 1995	September 1997	October 2000	December 2003	December 2003	December 2003
Underlying bond account(s)	Series 1993, Series 1996, Series 2002C, Series 2003B debt service	Series 1997 debt service reserve	Series 2003A debt service reserve	Series 1997A debt service reserve	Series 1997B debt service	Series 2001A debt service
Guaranteed interest rate	6.34%	6.18%	6.47%	5.332%	5.352%	5.422%
Lump sum payment received at beginning of agreement	\$7,209	N/A	N/A	N/A	N/A	N/A
Date of termination (upon maturity of bond series)	2015	2027	2008	2027	2027	2031
Notional amount (representing balance in applicable accounts)	\$29,203	\$14,970	\$7,479	\$969	\$4,127	\$21,919
Obligation (representing the unamortized portion of lump sum payment) recorded on the statement of fund net assets at June 30, 2004	\$1,966	N/A	N/A	N/A	N/A	N/A

The terms of Airport forward purchase agreements VII – IX, the Water Division forward purchase agreement, and the Parking Division forward purchase agreement are as follows:

	Airport VII	Airport VIII	Airport IX	Water Division	Parking Division
Date of origin	December 2003	December 2003	December 2003	February 1996	August 1997
Underlying bond account(s)	Series 2002A debt service	Series 2002B debt service	Series 2003A debt service reserve	Series 1994 and Series 1998 debt service	Series 1996 debt service reserve and parking trust fund
Guaranteed interest rate	5.463%	5.332%	5.579%	6.20%	5.51%
Lump sum payment received at beginning of agreement	N/A	N/A	N/A	\$941	N/A
Date of termination (upon maturity of bond series)	2032	2032	2018	2014	2021
Notional amount (representing balance in applicable accounts)	\$4,221	\$1,015	\$6,547	\$3,565	\$7,742
Obligation (representing the unamortized portion of the initial lump sum payment) recorded on the statement of fund net assets	N/A	N/A	N/A	\$448	N/A

In July 2003, Airport forward purchase agreement I was amended to replace Bond Series 1993A with Bond Series 2003B. No payment was made in consideration of this amendment.

For the Airport forward purchase agreement I and the Water Division forward purchase agreement, in exchange for the lump sum payment received, the City has contracted to buy qualified eligible securities from financial institutions every month until the bonds mature, are called, or are refinanced. These institutions receive the actual interest earned on the securities purchased every month. The difference between the fixed interest rate earned by the City and the variable interest rate paid to the financial institution is recorded as a net adjustment to net interest expense.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

For Airport forward purchase agreements II through IX and the Parking Division forward purchase agreement, the City has contracted to buy qualified eligible securities from a financial institution on a semiannual basis and the financial institution has guaranteed that the securities will earn a stated rate. To the extent the securities earn a greater rate of return, the City is required to refund the differential to the financial institution, if a lesser rate is earned, the financial institution absorbs the loss.

c. Fair Value

As disclosed above, the City's obligations associated with Airport forward purchase agreement I and the Water Division forward purchase agreement are recorded on the financial statements as other liabilities. This liability represents the unamortized portion of the initial lump sum payment received pursuant to these agreements.

The fair value of the remaining forward purchase agreements, under which no initial lump-sum payments were received, is not recorded on the financial statements. As of June 30, 2004, these fair values are as follows:

Agreement	Fair Value
Airport II	\$ 3,805
Airport III	1,065
Airport IV	126
Airport V	536
Airport VI	1,309
Airport VII	208
Airport VIII	60
Airport IX	468
Parking Division	676

These fair values were calculated using the following method: the variable rate of return to be retained by the financial institutions was assumed to be the rate of a return available at June 30, 2004 for a United States Treasury obligation with a comparable length of time remaining until maturity. The variable rate of return was then subtracted from the fixed rate of return guaranteed, and multiplied by the securities required to be invested under the agreements for all future periods. The resulting differential in future cash flows was discounted to the present at the rate of a return available at June 30, 2004 for a United States Treasury obligation with a comparable length of time remaining until maturity.

d. Credit Risk

The forward purchase agreements' fair value represents the credit exposure of the Airport, Water Division, and Parking Division to the financial institutions as of June 30, 2004. Should the financial institutions fail to perform according to the terms of the agreement, the Airport, Water Division and Parking Division face a maximum possible loss equivalent to the agreements' fair value.

e. Interest Rate Risk

The forward purchase agreement exposes the Airport, Water Division, and Parking Division to interest rate risk. Should interest rates increase above the levels guaranteed by the agreement, the financial institution, and not the Airport, Water Division, or Parking Division, would realize this increase in investment earnings.

f. Termination Risk

Should the Airport, Water Division, or Parking Division terminate the agreements or default on their obligations pursuant to the agreements, a termination payment would either be owed to or due from the financial institution, and would be calculated based upon market interest rate conditions at the time of the termination.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

20. OPERATING LEASES

- a. At June 30, 2004, the City was committed under miscellaneous operating leases for office space. Future minimum base rental payments under terms of the operating leases are as follows:

Year ending June 30:	
2005	\$ 1,335
2006	951
2007	845
2008	676
2009	546
2010 – 2014	2,248
2015 – 2019	1,406
2020 – 2024	250
2025 – 2028	188
	<u>\$ 8,445</u>

- b. The Airport has long-term use agreements and leases with signatory air carriers, which expire on December 31, 2005. Under the terms of the use agreements and leases, the air carriers have agreed to pay airfield landing fees; terminal and concourse rentals; hangar, cargo, and maintenance facility rentals; and certain miscellaneous charges in consideration for use of the Airport. The use and lease agreements also require the Airport to make certain capital improvements and to provide maintenance of certain Airport facilities. Payments by the air carriers are determined as follows:

- Landing fees are calculated based on estimated operating and maintenance expenses of the airfield, and allocated to the air carriers on the basis of landing weights. Landing fee revenues are adjusted each year by retroactive rate adjustment, which is calculated as the difference between estimated and actual costs incurred and estimated and actual landing weights. These revenues are included in aviation revenue - airfield.
- Rentals are calculated based on estimated operating and maintenance expenses of the terminal and concourse areas and hangars, cargo, and maintenance facilities, and allocated to the air carriers on the basis of square footage utilized. Rental revenue is adjusted each year by retroactive rate adjustment, which is calculated as the difference between estimated and actual costs incurred. These revenues are included in aviation revenue – terminal and concourses, hangars and other buildings, or cargo buildings, respectively.
- Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

During fiscal year 2004, revenues from signatory air carriers accounted for 52% of total Airport operating revenues.

Minimum future rentals for each year in the next five years and in the aggregate are not determinable given the method of calculation.

The following is a summary of aviation revenue by category and source from signatory and nonsignatory air carriers for the year ended June 30, 2004:

	<u>Signatory</u>	<u>Nonsignatory</u>	<u>Total</u>
Airfield	\$ 36,112	7,596	43,708
Terminal and concourses	23,795	893	24,688
Hangars and other buildings	378	43	421
Cargo buildings	1,878	—	1,878
	<u>\$ 62,163</u>	<u>8,532</u>	<u>70,695</u>

The Airport also leases facilities and land with varying renewal privileges to various nonsignatory air carriers, concessionaires, and others. These leases, for periods ranging from 1 to 50 years, require the payment of minimum annual rentals. The following is a schedule by year of minimum future rentals on noncancellable operating leases, other than leases with signatory airlines, pursuant to long-term use agreements:

Year ending June 30:	
2005	\$ 25,290
2006	15,243
2007	14,645
2008	15,965
2009	9,736
2010 – 2014	21,845
2015 – 2019	6,048
2020 – 2024	3,562
2025 – 2029	3,562
2030 – 2034	3,562
2035 – 2039	356
Total minimum future rentals	<u>\$ 119,814</u>

The above amounts do not include contingent rentals that may be received under certain leases. Such contingent rentals amounted to \$23,326 for the year ended June 30, 2004.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

The Airport leases computer and other equipment and has service agreements under noncancelable arrangements that expire at various dates through 2008. Expenses for operating leases and service agreements were \$1,620 for the year ended June 30, 2004. Future minimum payments (excluding payments for snow removal, which are not determinable) are as follows:

Year ending June 30:	
2005	\$ 146
2006	98
2007	48
2008	25
Total minimum future rentals	\$ <u>317</u>

c. Component Unit—SLDC

In December 1996, SLDC, in conjunction with the Community Development Agency (CDA), signed a five-year lease for office space, which commenced March 1997 with three months abated rent and thereafter, monthly base payments of \$38 through February 2002. In January 2001, SLDC signed an agreement to extend the lease for 15 years. The new agreement, which increased the base rent to \$47 and the leased space to 6,216 square feet, will end February 2017. SLDC also has sublease agreements with the Planning and Urban Design Development Agency (PDA) and CDA in effect through February 2017. Future minimum base rents under the terms of the lease agreements, net of sublease rents anticipated from CDA and PDA, are as follows:

Year ending June 30:	
2005	\$ 239
2006	255
2007	255
2008	255
2009	255
2010 – 2014	1,397
2015 – 2017	<u>803</u>
	\$ <u>3,459</u>

Rent expenditures, net of \$333 in rents received, were \$232 during the year ended June 30, 2004.

Additionally, at June 30, 2004, SLDC was committed for approximately nine years under an original 25-year operating lease with the City, which requires annual rental payments of \$1 (in dollars) for certain property. Under the lease agreement, SLDC shall make improvements to the leased premises and award subleases for all or a portion of the leased premises.

21. INTERFUND BALANCES

Individual fund interfund receivable and payable balances as of June 30, 2004 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Special revenue—grants fund	\$ 7,933
	Enterprise:	
	Airport	1,596
	Water Division	886
	Parking Division	472
	Internal service funds	6,824
		<u>17,711</u>
Other governmental nonmajor funds	General fund	553
	Capital projects fund	140
	Special revenue—grants fund	5,561
	Other governmental nonmajor funds	314
		<u>6,568</u>
Enterprise—Airport	General fund	<u>6</u>
Internal service funds	General fund	304
	Enterprise:	
	Airport	1,563
	Water Division	1,850
	Parking Division	255
		<u>3,972</u>
		<u>\$ 28,257</u>

All of these interfund balances are due to either timing differences or to the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid during the fiscal year ending June 30, 2005.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

22. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004 consisted of the following:

		Transfer To				
		General fund	Capital projects fund	Other Govern- mental Funds	Parking Division	Total
Transfer From	General fund	\$ —	—	1,419	—	1,419
	Capital projects fund	8,616	—	641	—	9,257
	Grants fund	20	—	—	—	20
	Other govern- mental funds	7,889	10,634	704	714	19,941
	Airport	5,434	—	—	—	5,434
	Water Division	2,349	—	—	—	2,349
	Parking Division	150	—	—	—	150
	\$ 24,458	10,634	2,764	714	38,570	

Interfund transfers were used to (1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance capital improvements and other funds in accordance with budgetary authorization, or (3) move revenues in excess of current year expenditures to other funds. Additionally, gross receipt payments from the Airport, the Water Division, and the Parking Division are handled as transfers from each respective enterprise fund to the general fund.

23. COMMITMENTS AND CONTINGENCIES**a. Grants**

In connection with various federal, state, and local grant programs, the City is obligated to administer related programs and spend the grant monies in accordance with regulatory restrictions, and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the City to refund program monies. Through June 30, 2004, claims have been made on the City to make refunds under certain programs and other programs are still open as to compliance determination by the respective agencies. In the opinion of City officials, settlement of these matters will not result in a material liability to the City.

b. Landfill Closure

Pursuant to an agreement between the Missouri Department of Natural Resources (MDNR) and the City, the City will be closing the Hall Street Landfill. The property was a 47-acre demolition waste landfill located at 8700 Hall Street. The property is owned by SLDC. The City holds the operating permit and is responsible for the closing. In July 2001, the City entered into an irrevocable standby letter of credit in the amount of \$4,174 with MDNR as the beneficiary. MDNR may draw upon that letter of credit to complete the closure if the City does not fulfill its obligations under the agreement. As of June 30, 2004, no amounts had been drawn against the letter of credit by MDNR. At June 30, 2004, \$234 has been recorded as a liability, which is an estimate of expenses the City will incur for closure and postclosure costs.

c. Commitments

At June 30, 2004, the City had outstanding commitments amounting to approximately \$25,036, resulting primarily from service agreements.

Additionally, at June 30, 2004, the Airport had outstanding commitments amounting to approximately \$138,059, resulting primarily from contracts for construction projects both related and unrelated to the W-1W expansion project.

d. American Airlines, Inc.

American Airlines, Inc. (American) represents the major air carrier providing air passenger service at the Airport. American provided 36% of the Airport's total operating revenues and 49% of total revenues from signatory air carriers for the fiscal year ended June 30, 2004. Airport accounts receivable at June 30, 2004 contained \$5,827 relating to amounts owed to the Airport by American. This amount includes \$5,721 of unbilled aviation revenues at June 30, 2004.

1) Decision by American to Reduce Operations at the Airport

On November 1, 2003, American's activities at the Airport were reduced as follows:

- The number of daily flights offered by American were reduced from 417 to 213.
- American discontinued nonstop flights to 25 cities.
- American reduced the number of gates that it operates at the Airport.

In order to address the significant decrease in aviation activity caused by American's decision, Airport management has developed a plan comprised of the following action steps:

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

Action steps for the current operations include the following:

- Effective November 1, 2003, the Airport has increased the airfield-landing rate from \$2.45 to \$3.40 (in dollars) per thousand pounds of landed weight. Effective July 1, 2004, the Airport increased the airfield landing rate again from \$3.40 to \$4.07 per thousand pounds of landed weight.
- The Airport reviewed its fiscal year 2004 operations and maintenance budget and identified annual reductions totaling \$7,000, consisting of eliminating 105 personnel positions (\$5,000) and reductions of various nonpersonnel expenses (\$2,000).
- The Airport reevaluated its five-year capital improvement program and deferred \$90,000 of improvements originally scheduled to be made in fiscal year 2004.
- The Airport developed a marketing campaign to aggressively pursue new service from existing or new airlines. As of August 2004, the Airport has successfully secured 55 additional flights from both existing and new carriers, and obtained nine flight upgrades.

Action steps for Phase I of the Airport development program include:

- The Airport reevaluated its Phase I of the Airport development program, which resulted in the deferral of approximately \$85,000 in expenses.
- The Airport secured increased funding totaling \$85,000 with the Federal Aviation Administration in the Airport's current Letter of Intent (LOI) funding. The increased funding is comprised of \$50,000 for construction, \$20,000 for noise abatement, and \$10,000 advanced LOI funding.

No assurance can be given as to the levels of aviation activity that will be achieved at the Airport in future fiscal years. Future traffic at the Airport is sensitive to a variety of factors including: (1) the growth in the population and the economy of the area served by the Airport; (2) national and international political and economic conditions, including the effects of the terrorist attacks of September 11, 2001, or any future attacks; (3) air carrier economics and air fares; (4) the availability and price of aviation fuel; (5) air carrier service and route networks; (6) the capacity of the air traffic control system; and (7) the capacity of the Airport/airways system.

The level of aviation activity at the Airport can have a material impact on the amount of total revenues generated at the Airport. However, Airport management believes the decline in Airport revenues is mitigated by the Airport use agreement which expires December 31, 2005, concession agreements, and other leases, which contain minimum annual revenue guarantees.

Use Agreement with American

In 1993, the City purchased from Trans World Airlines, Inc. (TWA) all of TWA's leasehold interests relating to the use of certain gates, terminal support facilities, air cargo facilities, and improvements at the Airport, together with related personal property and leasehold interest in a hangar, office building, and a flight training facility (Purchased Assets). TWA had a month-to-month lease covering the Purchased Assets with automatic renewals through December 31, 2005. In conjunction with the sale of TWA's assets to American on April 9, 2001, American assumed TWA's obligations under the lease agreement.

Under the lease agreement, if during any month American has an average of less than 190 regularly scheduled departures, the City has a right to reclaim and redesignate the use of the gates and terminal support facilities and equipment to other airlines so that American would retain only the number of gates that represents an average of 3.33 daily flight departures per gate. Also, under the lease agreement, if American fails to make a payment of any rents, fees, or charges, the City may terminate all of American's airport agreements and retain ownership of all assets acquired under the purchase transaction.

Lease revenue under the agreement was \$7,773 for the year ended June 30, 2004.

e. Airport Expansion

On September 30, 1998, the City received a favorable Record of Decision from the Federal Aviation Administration (FAA) for the W-1W expansion of the Airport, marking the beginning of a new economic era for aviation in St. Louis. The proposed \$2.6 billion program will provide the building blocks for a highly competitive "world class" aviation system for the 21st century, including one additional 9,000 foot parallel runway to add capacity in all weather conditions, and renovation of the Airport's existing runway and taxiway system.

The construction for this program will be funded with Airport development funds, passenger facilities charges, FAA improvement program grants, and Airport revenue bonds. During fiscal year 2001, the Series 2000 Letter of Intent Double Barrel Revenue Bonds and the Series 2001A Airport Revenue Bonds were issued as part of the overall funding plan for this program. During fiscal year 2003, the Series 2002 Airport Revenue Bonds and Series 2003A Airport Revenue Refunding Bonds were issued to refinance the Series 2000 Letter of Intent Double Barrel Revenue Bonds and to provide additional financing for the project.

Lawsuits previously filed by the cities of St. Charles and Bridgeton, Missouri challenging the project have been adjudicated and fully reviewed by the appellate courts. In both cases, final judgments were rendered in favor of the City and the Airport.

Land acquisition activities relative to the expansion project are underway with approximately 1,937 parcels to be acquired. As of August 2, 2004, 1,559 offers have been extended; of these, 1,538 offers have been accepted; of these, 1,514 real estate transactions have been closed; of these, 1,477 properties have been vacated by the sellers and are in the possession of the Airport; and of these, 1,405 homes have been demolished.

Additionally, the Airport has entered into various construction contracts related to the expansion project.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

f. Water Main Break

The City received a judgment during fiscal year 2002 from the Twenty-Second Judicial Circuit Court relating to damage caused to a private institution by a main break on a private fire line. This judgment was appealed. In September 2003, the Missouri Court of Appeals transferred the case to the Missouri Supreme Court. On October 12, 2004, the Missouri Supreme Court ruled on the case and reversed the judgment against the City.

Upon receipt of the original judgment in 2002, the City had determined that \$6,372, consisting of damages and post-judgment interest, was a probable loss for the City. Of this amount, the City determined that \$3,400 would be funded by the Water Division, and remaining \$2,972 would be funded by the General fund of the City. However, pursuant to the Missouri Supreme Court's ruling in favor of the City in 2004, the City has concluded that this amount is no longer a probable loss for the City. Accordingly, the \$6,372 liability has been removed for the year ended June 30, 2004, and a recovery of legal judgment of \$6,372 has been recorded as a special item on the statement of activities.

g. Asbestos Removal

The Water Division has identified certain of its structures as having asbestos in place. As part of its continuing process of upgrading facilities, the costs for removal of the asbestos material and restoration or replacement of the affected areas are being included in budgets for capital projects. No mandatory time requirement is in effect. The removal plan would be accelerated by changes in plans for remodeling, if any.

h. Component Unit—SLDC

In the normal course of its operations, certain lawsuits and legal action are pending against SLDC. In the opinion of SLDC officials and legal counsel, these items are not expected to have a material effect, individually or in the aggregate, upon the financial position or the results of operations of SLDC.

In addition, certain properties held for development may be subject to future environmental remediation costs. In the opinion of SLDC officials, these costs would not have a material adverse effect upon the financial position or the results of operations of SLDC.

SLDC has entered into various cooperative agreements with the Community Development Agency of the City as a subrecipient/administrator of the Community Development Block Grant programs.

i. Component Units—SLDC and SLPD

SLDC and SLPD receive financial assistance from several federal, state and local government agencies in the form of grants and contracts. The disbursements of funds received under these programs generally requires compliance with terms and conditions specified in the contract and grant agreements and is subject to audit by the granting agencies. Any disallowed claims resulting from such audits could become an SLDC or SLPD liability. However, in the opinion of their respective management, any such disallowed claims will not have a material effect on the financial statements of SLDC or SLPD at June 30, 2004.

24. RISK MANAGEMENT

a. Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured with respect to its obligation to provide workers' compensation, general liability, unemployment benefits, and healthcare (including prescription drug coverage). Effective February 1, 2003, the City became self-insured for property damage caused by garbage and refuse trucks. The City has sovereign tort immunity from liability and suit for compensatory damages for negligent acts or omissions, except in the case of injuries arising out of the operation of City motor vehicles or caused by the condition of City property. The maximum claim settlement established by state statute for such claims is \$300 per person and \$2,000 per occurrence. Various claims and legal actions involving the City are presently pending. Additionally, a number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty. The City's policy is to record these claims in its government-wide financial statements when it is probable that a liability has been incurred and the amount can be reasonably estimated.

For workers' compensation and general liability, the estimated liability for payment of incurred (both reported and unreported) but unpaid claims and claim adjustment expenditures of \$14,392 at June 30, 2004, relating to these matters is recorded in the self insurance internal service fund—PFPC. The City obtains periodic funding valuations from a claims-servicing company managing the appropriate level of estimated claims liability. Enterprise funds reimburse PFPC on a cost-reimbursement basis.

The City was also self-insured for healthcare coverage for its employees and retirees through June 12, 2004 and June 30, 2004, respectively. The City was self-insured for healthcare coverage for employees of HSTRC and Tower Grove Park through June 30, 2004. Effective June 13, 2004 for employees of the City and July 1, 2004 for retirees and employees of HSTRC and Tower Grove Park, the City elected to purchase commercial insurance for its previously self-insured health insurance program. The City remains self-insured for the prescription drug coverage provided to employees and retirees. Additionally, the City is still self-insured for any healthcare claims that arise from incidents occurring prior to June 13, 2004 for employees and July 1, 2004 for retirees and employees of HSTRC and Tower Grove Park.

For the period the City was self-insured for healthcare coverage, it paid the cost of the lowest available coverage for all City employees. Employees were required to pay, through bi-weekly payroll deductions, for a higher level of care, if desired, or for coverage of a spouse and/or dependents. Retirees and employees of HSTRC and Tower Grove Park had to contribute a monthly amount to cover the cost of their healthcare if participating in the plan. During the self-insured period, all funding levels were actuarially determined at the start of the plan and reevaluated at the beginning of each fiscal year.

For healthcare coverage, the estimated liability for payment of incurred but unpaid claims and claim adjustment expenditures of \$1,321 at June 30, 2004 relating to such matters is recorded in the self-insurance internal service fund—health.

The City maintains surety bonds on various employees that handle cash. In addition, the City purchases commercial insurance for other risks, including property damage and liability coverage applicable to the Airport and Cervantes Convention Center. There were no significant changes in coverage for the year

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

ended June 30, 2004 and, for the years ended June 30, 2004, 2003, and 2002, settlements did not exceed coverage.

Changes in the self-insurance claims liability for the years ended June 30, 2004 and 2003 are as follows:

	Beginning balance	Current year claims and changes In estimates	Claim payments	Ending balance
2004	\$ 24,856	27,913	(37,056)	15,713
2003	17,921	38,847	(31,912)	24,856

Additionally, there is a range of general liability claims outstanding, from \$4,988 to \$7,373, which the City Counselor's office has determined there is a reasonable possibility that a loss contingency may be incurred but no accrual has been made within the government-wide financial statements or fund financial statements because the loss is not *both* probable and estimateable.

b. Component Unit—SLPD

SLPD has established a risk management program and retains the risk related to workers' compensation. At June 30, 2004, these liabilities amounted to \$39,211 for workers' compensation. Of SLPD's total worker's compensation liability, \$29,910 has been accrued for benefits to be paid for long-term medical care for two officers seriously injured in the line of duty. Benefit payments for these two cases amounted to approximately \$1,108 for the year ended June 30, 2004.

Changes in the balances of workers' compensation claims liabilities for the years ended June 30, 2004 and 2003 are as follows:

	Beginning balance	Current year claims and changes In estimates	Claim payments	Ending balance
2004	\$ 24,778	19,849	(5,416)	39,211
2003	21,731	7,387	(4,340)	24,778

25. GRANT LOAN PROGRAMS

The City's general fund and grants fund include the activities of the CDA that, among other activities, makes loans to developers under the Housing Implementation Program. This program, which is administered for the City by certain financial institutions, provides funds to rehabilitate housing units for low and moderate-income families. These loans typically are noninterest-bearing, due in 25 years, and secured by a second deed of trust. CDA also made loans under the Urban Development Action Grant (UDAG) program to assist organizations with development projects within the City. These loans typically have a lower-than-market interest rate and payback periods ranging from 10 to 40 years after completion of the projects.

Any funds received from the repayments of these loans are to be spent by the City in accordance with Community Development Block Grant program regulations. Since repayment of the loans is dependent on the success of projects that involve considerable risk, collectibility is not assured and, accordingly, the City reflects these loans as an expenditure of the grants fund in the year the loans are made. Any loan repayments are reflected as intergovernmental revenue (or deferred revenue if monies have not been spent) in the year of receipt.

26. COMPONENT UNIT—SLDC CONDUIT DEBT

SLDC facilitates the issuance of tax-exempt bonds for various private enterprises and government agencies. After the bonds are sold, the proceeds are typically used to purchase real estate or fund capital improvements for the respective organization. These organizations enter into lease agreements with SLDC that are, in substance, sales of the related properties or improvements. SLDC assigns these leases to various trusts that collect the lease payments to satisfy the debt service requirements. After SLDC assigns the leases to the trusts, the properties are no longer under their control and they have no liability for the bonds. Therefore, transactions related to the leases and the bond liability are not presented in SLDC's financial statements. The amount of tax-exempt bonds outstanding at June 30, 2004 could not be determined; however, the original issue amounts totaled approximately \$1.8 billion (in dollars).

27. SUBSEQUENT EVENTS

a. Tax and Revenue Anticipation Notes

The City issues tax and revenue anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. In July 2004, the City issued \$47,000 in Tax and Revenue Anticipation Notes payable from the general fund. The notes mature on June 28, 2005 and bear interest at a rate of 3.00% per year.

b. Agreement with Metro

During July 2004, the City entered into an agreement with the Bi-State Development Agency of the Missouri-Illinois Metropolitan District doing business as Metro. The agreement provided for Metro to advance the City \$1,000, interest free, for the replacement of the Lansdowne Bridge over River Des Peres. The City agrees to repay Metro on December 31, 2006 by appropriating funds in fiscal years 2005 and 2006.

c. Capital Lease – Rolling Stock

In July 2004, the City amended its lease agreement with Banc One Leasing Corporation, dated February 3, 2000, to include additional lease funding of \$851 at an annual interest rate of 3.19%. These proceeds were deposited with an escrow agent and will be used to pay the purchase price of equipment. All equipment will be purchased, delivered, and installed no later than January 21, 2006.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2004

(dollars in thousands)

d. Tax Increment Financing Notes Payable

On October 17, 2004, the City issued a Taxable Tax Increment Revenue Note (Soulard Market TIF RPAJ Project) Series 2004 in the amount of \$2,761, which is due in semi-annual installments through July 11, 2026 and bears interest at a rate of 7%.

Additionally, in September 2004, a financial institution advanced \$2,400 to the developer of the 920 Olive/1000 Locust Tax Redevelopment District in anticipation of the City's issuance of \$2,400 in tax increment financing notes payable to the financial institution.

e. Termination of Lease and Redemption of SLPCFC Tax Exempt Parking Revenue Bonds Series 2003A

On December 23, 2004, the lease between SLPCFC and the lessor was partially terminated relative to a surface lot near the Cupples Garage. Due to the termination of the lease, the lot was sold and transferred to a developer. Additionally, the proceeds of the sale were used to pay a mutually agreed-upon lease termination fee of \$422 to the financial institution that had purchased the SLPCFC Tax-Exempt Parking Revenue Bonds Series 2003A. The fee will be utilized to redeem \$420 of principal of the bonds maturing on June 1, 2028 plus accrued interest. These bonds will be called for redemption on February 1, 2005.

f. Sale of HSTRC Property

On July 23, 2004, the City entered into a sales contract with a developer for the HSTRC property. This sales contract included the sale of the land, building, bed licenses and contents of the building, which formerly operated as the HSTRC. On October 22, 2004, the City and the developer closed on the sales contract. The City received \$1,200 for the land and the building while the HSTRC received \$260 for the bed licenses and the remaining contents of the building.

g. Issuance of SLMFC Forest Park Leasehold Revenue Bonds Series 2004

On December 15, 2004, the SLMFC issued Forest Park Leasehold Revenue Refunding Bonds Series 2004 in the amount of \$16,400. The proceeds of the bonds were used to refund all of the outstanding \$16,120 Series 1997 Forest Park Leasehold Revenue Improvement Bonds. The Series 2004 bonds are due in installments through February 15, 2022 and bear interest at rate of 3% to 5%.

h. Airport Commercial Paper

On August 17, 2004, the Airport issued \$1,000 in Series 2004A Commercial Paper Notes, due September 1, 2004, at an annual interest rate of 1.25% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport.

28. FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, modifies existing, and imposes new, disclosure requirements relative to the City's cash and investments. This statement will be effective for the City for the fiscal year ending June 30, 2005. Management of the City has not yet completed its assessment of the statement.

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, defines the appropriate accounting treatment for capital asset impairments and related insurance recoveries. This statement will be effective for the City for the fiscal year ending June 30, 2006. Management of the City has not yet completed its assessment of the statement.



APPENDIX C
FORM OF CO-BOND COUNSEL OPINIONS

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June 16, 2005

The City of St. Louis, Missouri
St. Louis, Missouri

Ambac Assurance Corporation
New York, New York

A.G. Edwards Capital Markets,
as representative of the underwriters
St. Louis, Missouri

Re: \$37,555,000 The City of St. Louis, Missouri Public Safety General
Obligation Refunding Bonds, Series 2005

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by The City of St. Louis, Missouri (the "*City*") of the above-captioned bonds (the "*Bonds*") pursuant to Ordinance No. 66686 (the "*Ordinance*") adopted by the Board of Aldermen of the City of St. Louis, Missouri on May 20, 2005, and approved by the Mayor of the City of St. Louis, Missouri, on May 25, 2005. The Bonds are being issued for the purposes of (i) effecting the refunding of the outstanding City of St. Louis, Missouri Public Safety General Obligation Bonds, Series 1999 which are current interest bonds maturing on or after February 15, 2010 (the "*Series 1999 Bonds*"); and (ii) paying the costs of issuance of the Bonds. Capitalized terms used in this opinion without definition shall have the meanings set forth in the Ordinance.

In such capacity, we have examined the following documents:

- (a) Ordinance;
- (b) Tax Compliance Agreement dated as of June 1, 2005 (the "*Tax Agreement*");
- (c) Escrow Agreement dated as of June 1, 2005, by and between the City and UMB Bank, N.A., as Escrow Agent; and

June 16, 2005

Page 2

(d) Bond Insurance Policy.

We have examined the law and such certified proceedings and such other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and certificates of public officials and others furnished to us without undertaking to verify the same by independent investigation. With respect to opinions set forth herein regarding tax law, we have assumed that all covenants and requirements of the Ordinance and the Tax Agreement will be complied with and fulfilled.

In rendering the following opinions, we have assumed the genuineness of all signatures, the authenticity of all documents tendered to us as originals and the conformity to original documents of all documents submitted to us as certified or photostatic copies. We have also assumed that the Series 1999 Bonds were duly and validly issued and are legal and binding obligations of the City enforceable in accordance with their respective terms and that all requirements and regulations have been complied with by the City subsequent to their issue.

We note that (i) various issues with respect to bond insurance in connection with the Bonds are addressed in the opinion of counsel to Ambac Assurance Corporation and (ii) various issues with respect to the City in connection with the Bonds are addressed in the opinion of the Deputy City Counselor. Except as otherwise stated herein, we express no opinion with respect to those issues.

Based upon the foregoing and subject to the qualifications hereinafter referred to, we are of the opinion, under existing law, that:

1. The Bonds are valid and legally binding general obligations of the City payable as to both principal and interest from ad valorem taxes which may be levied, without limit as to rate or amount, upon all the taxable tangible property, real and personal, within the territorial limits of the City.

2. Under existing law, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in this paragraph are subject to the condition that the City has complied and will continue to comply with all requirements of the Internal Revenue Code of 1986, as amended (the "*Code*"), that must be satisfied prior or subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and, in addition, rely on representations by the City and others, with respect to matters solely within their knowledge,

June 16, 2005

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which we have not independently verified. The City has covenanted to, at all times while the Bonds are Outstanding, comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Bonds are not “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code (relating to financial institution deductibility of interest expense).

3. Subject to the conditions set forth above, the original issue discount in the selling price of any Bond sold in the initial offering to the public at a price less than the par amount thereof (hereinafter referred to as an “OID Bond”), to the extent properly allocable to each owner of such OID Bond, is excludable from gross income for federal income tax purposes with respect to such owner.

4. The interest on the Bonds is not subject to income taxation by the State of Missouri.

No opinion is expressed regarding the applicability with respect to the Bonds or the interest (including any original issue discount properly allocable to the owners thereof) on the Bonds of the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended.

We express no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel. Except as stated above, we express no opinion as to any other matter in connection with the issuance and sale of the Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Bonds and we express no opinion relating thereto.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable, and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

The opinions set forth herein are based on existing law. In rendering the foregoing opinion, we do not undertake to advise you of any changes in law or fact which may occur or come to our attention subsequent to the date hereof, including compliance with covenants relating to the Bonds.

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We bring to your attention the fact that our conclusions are an expression of professional judgment and are not a guarantee of result.

Very truly yours,

APPENDIX D
FORM OF BOND INSURANCE POLICY

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Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee

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